

Indian economy Taking a gamble on growth



Boardroom skills What it takes to be a good director



anead of science



Hancor benefit? Hormone treated milk stirs up a storm

FINANCIAL TIM

WEDNESDAY MARCH 2 1994

PLO sees collapse of talks if Israeli withdrawal delayed

Europe's Business Newspaper



The Middle East peace process could collapse if Israel does not begin its withdrawal from Gaza and Jericho in April as originally planned, a senior mem-ber of the Palestine Liberation Organisation warned. The assessment came as Israel began freeing 500 Palestinian prisoners in an attempt

to win back the PLO to peace talks after Friday's Hebron mosque massacre. PLO leaders said that chairman Yassir Arafat (above) would have to stay away from direct peace talks with Israel for at least a fortnight to assuage Palestinian outrage at the killings. Page 16; Editorial Comment, Page 15

Japan's slide may be ending: Japan could be near the bottom of its protracted recession, the central bank said. Business confidence has ceased to weaken and the bank expected the climate to improve. Page 16

Brussels positive on Groupe Bull plan: European competition commissioner Karel Van Miert, said be was "impressed" by an outline restructuring and privatisation plan for Groupe Bull, the lossmaking French computer group.

Setback for Canadian separatists: Canadian separatist Parti Québécois suffered its first by-election loss in five years, losing the largely Frenchspeaking Shefford constituency near Montreal to the ruling Liberal party. Page 5

Russian accused of spying for UK: Russia arrested an armaments official it accused of supplying military and economic information to the

Protection for EU film industry urged: European cultural commissioner João de Deus Pinheiro called for greater protection of the European film industry to counter the power of big Hollywood studios. Page 6

Clinton accused over aircraft sales: French aerospace leaders accused US president Bill Clinton of intervening unfairly to sell \$6bn worth of US civil aircraft to Saudia Arabla, Page 6

Winney sets up Kazakhstan office: Wimpey says it is the first UK construction group to establish a permanent office in Kazakhstan, the oil-rich former Soviet republic. Page 6

Profits up 25% at Abbey: UK banking group Abbey National announced a 25 per cent increase in pre-tax profits for 1993 to £704m (\$1.03bn) and the board recommended an increase in the full-year dividend of 22 per cent to 14p per share. Page 18;

General Accident, highly-rated composite insurer, bolstered recovery in the UK general insurance market by posting annual pre-tax profits of £294.9m (\$430.6m) compared with a loss of £29.3m in 1992. Page 18; Lex, Page 16

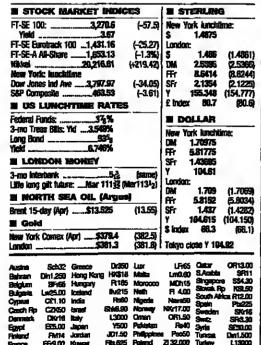
Telecoms push Nokia into profit: Finnish telecommunications group Nokia reported annual pre-tax profits of FM1.15bn (\$209m), compared with a FM158m loss in 1992, due to high growth in its mobile and fixed telephone divisions.

Westland dismisses GKN bid: Westland. Britain's sole helicopter manufacturer, dismissed GKN's £496m (\$724m) hostile takeover bid, accusing the engineering and industrial services group of making an "absurdly low offer". Page 17; Lex.

UK car production reaches 20-year high: Britisb car production reached its highest level since 1974 last year, with Rover overtaking Ford as the UK's largest carmaker for the first time in more than a decade. Page 8

Minister scorns claims over aid: Allegations that Britain's overseas aid programme was linked to arms deals with several countries were dismissed as "absolute nonsense" by foreign office minister of state Alastair Goodlad. Page 8

UK civil service reforms attacked: A report on Britain's civil service, commissioned by public services minister William Waldegrave, says the creation of agencies to deliver government services has led to fragmentation and accuses Whitehall departments of interfering excessively in the day-to-day management of agencies.



Unexpected increase in economic expansion marred by sharp price rises

US inflation scare hits markets

Patrick Harverson in New York and John Pitt and Terry Byland in London

International bond and stock markets fell heavily yesterday after a closely watched US economic index showed sharp price increases at the manufacturing

At the same time, the US government reported that gross domestic product in the final quarter of last year rose at a revised real annual rate of 7.5 per cent, far above the 5.9 per cent preliminary estimate and the largest quarterly expansion since the first three months of 1984.

The bond market, however, was far more influenced by the price data from the National Association of Purchasing Managers monthly survey. Although its composite index fell only slightly to 56.6 per cent from 57.7 per cent in January, indicating continued healthy expansion, the association's price index surged to 67 per cent from 59.8 per cent the previous month.

Renewed inflation fears left the US benchmark 30-year bond down more than a full point by early afternoon, with the yield rising to 6.75 per cent. European. bond markets fell sharply on the back of the US sell-off.

New York traders said investors were selling bonds because they believed any sign of resur-gent inflation would increase the of the day, down 57.5 at 3,270.6.

By David Gardner in Brussels

and Hugh Carnegy in Stockholm

Sweden and Finland yesterday

agreed terms to Join the Euro-pean Union after five days and

three nights of arduous talks,

raising hopes that Austria would

also settle its membership negoti-

In the wake of this break-

through, there were even hopes

that Norway could last night make enough headway to enable a final decision by Oslo when EU

foreign ministers meet in Brus-

Sweden started the bandwagon

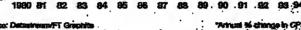
rolling following the near-col-

lanse of the talks as dawn broke.

By lunchtime, under strong Ger-

ations last night.

sels on Monday.



London stock market Page 27 ■ World stock markets Page 38 February 4. The selling in the bond market

spread to the stock market, turbed by the prospect of another Dow Jones industrial Average was down more than 40 points, but by 1pm it bad recovered some ground, and was down 36.02

The setback in bond markets drove share prices lower in London in an effective rerun of Thursday's ront. The FT-SE Page 21

Trading volume in the stock market remained fairly moderate, bowever, and the pressure again focused on stock index futures.

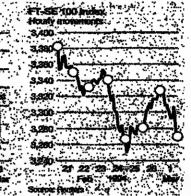
Continental equity markets were also heavily marked down after the US data was release with the CAC-40 index in Paris retreating more than 2 per cent and the German Dax index of leading shares sliding 1 per cent during official bours and another 2 per cent in after-hours

Norway and Austria hold out despite German pressure to reach a compromise

The revised US GDP figures brought real annual growth to 3 per cent in 1993, the best since the 3.9 per cent of 1988. More than half of the upward revision was accounted for by exports, which grew at a 20.5 per cent annual rate in the quarter and outstripped the recalculated 18.2 per cent expansion in

3,900

imports. The overall thrust of the Purchasing Managers survey was also bullish. The report noted in particular that "the strength in new orders strongly suggests future continued growth, but very likely at a lower, more sustainable level." Increases in prices, it said, were "primarily in products whose prices were severely depressed," such as alu-



minium, brass, copper, nickel and zinc.

Of the component parts of the index, both new orders and the backlog in orders grew in February, but at a lower rats than in January. New export orders rose to the highest level in 4½ years, while import orders also grew. but at a lower rate than in the previous month. Supplier deliveries were at the highest level since June, 1988, indicating strong demand from manufactur-

The government's GDP report for the final quarter also showed broad-based strength, with low inflation (a 1.3 per cent annual rate growth in the implicit price

ANC and Inkatha agree on elections

D8523A

By Patti Waldmeir in Durban

South Africa's two black political rivals last night stepped back from the brink of violent conflict when Mr Nelson Mand-ela, African National Congress leader, persuaded Zulu Chief Mangosuthu Buthelezi to regiser his Inkatha party for the first all-race elections in April.

Speaking after more than eight bours of talks with the ANC leader at a Durban hotel, Chief Buthelezi stressed that his party's decision to register did not rantee its participation in the April 27 elections.

Inkatha would register only "provisionally" – a final decision on participation would depend on the outcome of international mediation of South Africa's constitutional dispute.

The ANC last night agreed to such mediation in principle, though no details were agreed about the identity of the mediating parties or whether mediation would be binding. Asked whether Inkatha was

closer to participating in the election after the meeting than before it, Chief Buthelezi replied: 'Not at all." But he stressed that Inkatha would participate if its constitutional demands were met. His decision to allow Inkatha's name to be printed on ballot papers is also likely to have a psychological effect on

The intervention of Mr Mandela, who has not previously been involved in face-to-face constitutional talks with Inkatha leaders, appeared to have made it possible to avert an immediate start to a violent boycott cam-

paign by Inkatha. After weeks of public acri-mony, the accord holds out at least the hope that a constitu-tional settlement will include Inkatha, a party with a strong following among the Zulus, who number 9m out of the country's

38m population. The two men made a show of friendship. Emerging from 45 the general session began, they held hands and posed smiling for the cameras. After the day-long session, they addressed a joint press conference and deferred to one another politely in answer-

Continued on Page 16

Some don't like it hot: strong US growth and inflation fears lift the markets 1696 1000 Rt 82 83 84 85 SE 87 88 80 00 01 02 09 94

likelihood of another monetary policy tightening by the Federal Reserve. The US central bank last tightened policy by pushing op short-term interest rates on

where investors were equally per-Fed rate rise. At one stage the

the Swedes had settled.

Democratic party.

were welcomed by all the main

government and opposition par-

membership, who are currently

ahead of the Yes camp in the

opinion polls, served notice that

they would campaign hard against joining the EU in a refer-

Sweden, Finland agree terms to join E man pressure on its partners to endum due-later this year. The all four applicants from Ecu2.8bn were taking place between Chancel and the later this year. The all four applicants from Ecu2.8bn cellor Helmut Kohl of Germany. cannot preserve our neutrality Sweden's membership terms and that we accept the EU's economic policy," said Mr Hans Lindquist, leader of the No to

Europe organisation. ties and business organisations. Mr Esko Aho, Finnish prime "On all points the EU has taken into account our interests." minister, was more restrained than Mr Bildt. He said the deal declared Mr Carl Bildt, prime minister. "In most areas we have "is of course not such a one that reached a good or a very good we aimed at ... but if the details result," said Mr Ingvar Carlsson of the agreement prove to be such as we assume I do not find leader of the opposition Social it impossible to live with this But opponents of Swedisb

agreement". The breakthrough came after the EU agreed to phase in Swed-ish contributions to the Brussels budget. The Union raised the value of the sweeteners it offered

years, mostly to cushion the impact of the immediate cut in applicant countries' farm prices to EU levels. There was strong resistance to this deal for the rich newcomers, who will not now make significant net contributions to the EU budget until the end of this transition period.

The prospect of at least a 15on referendums to take place in all four applicant countries, but on the current 12 member states' ability to resolve an internal row over how to adjust voting rules to accommodate the newcomers. Senior EU officials said last night that telephone contacts

President François Mitterrand of France and Mr Felipe González, Spanish prime minister, in an effort to resolve this dispute, which could hold up the newcomers' planned entry next January. In the shorter term, Austria last night needed Union blessing to continue restricting pollutiongenerating EU trucks using its Alpine passes until 2004

Norway was still refusing to concede Spain's demands for some access to its fish, or accept French-led demands for restrictions on its fish products entering the single market.

Cash carries the day, Page 2

Wellcome's patents Croats and on Aids drug face challenge in Europe

By Peter Wise in Lisbon, Bernard Simon in Toronto and Daniel Green in London

Wellcome's patents on its second best-selling drug, the Aids treatment AZT, are likely to face a direct challenge in Europe next month when a Portuguese com-pany launches a Canadian-made

Farma APS Productos Farma-ceuticos has been authorised by the Portuguese government to market Apo-Zidovudine, a form of AZT manufactured by Apotex, Canada's biggest generic drug

It would be priced 15 to 20 per cent lower than Wellcome's prod-uct and would be on the market

The UK company has been in a series of patent disputes with companies, including Apotex, over the right to sell AZT. So far, Wellcome has been victorious in the US, and has actions outstand-ing in Canada and France.

by April, said Mr Augusto Paiva dos Santos, Farma APS director-general. The move could set a precedent as Wellcome fights to defend patents on Retrovir, its version of AZT, in several coun-

Apotex said yesterday that "we're moving aggressively all over the world". Portugal is the

first European country to register Apo-Zidovudine, bnt the product is already on sale in some Canadian provinces, as well as in Sen-egal, South Africa and Brazil among other countries.

Retrovir sales were worth £248m in 1993, and Mr Paiva dos Santos said Portuguese sales last year were more than Es500m (\$2.9m). His company plans to compete with Retrovir to supply AZT to Portuguese hospitals. Wellcome's main patents on

Retrovir run out in 2005 but the company may be vulnerable in Portugal because of its patent laws. Wellcome has a local patent on the manufacturing process, but had not been able to patent the material itself. This implies that to prove its patent had been infringed it would have to show that Apotex's product was manufactured by a patented process, which could be more complicated than simply showing that the end product was chemically identical. Farma APS said it might

export the drug to other European Union countries and did not foresee any legal difficulties. Wellcome said yesterday: "We will challenge breaches of our patent and hope that Portugal, as a member of the European Union, will respect intellectual property rights."

Moslems edge closer to alliance

By George Graham in Washington, Leyla Boulton In Moscow and Laura Silber in Belgrade

yesterday pushed forward the Bosnian peace process after Croats and Moslems in the republic edged closer towards creating a new alliance, and Bosnian Serbs agreed to open Tuzla airport for relief flights.

After four days of talks in Washington, Bosnian Croats and Moslems reached preliminary agreement on establishing a confederation in western Bosnia.

in Moscow Mr Andrei Kozyrev the Russian foreign minister, managed to persuade Mr Rado-van Karadzic, leader of the Bosnian Serbs, to allow Tuzla airport to be placed under United Nations supervision, making it easier to transport aid.

Discussious in Washington between Mr Mate Granic, the Croatian foreign minister, Mr Haris Silajdzic, the Bosnian prime minister, and Mr Kresimir Zubak, leader of the Bosnian Croats, have centred on a US pro-

> Continued on Page 16 'New primitives' drive Serb onals abroad, Page 2

RAISED IN THE HIGHLANDS FAMOUS GROUSE **FINEST SCOTCH WHISKY** QUALITY IN AN AGE OF CHANGE

CONTENTS Ingl. Cap Mikts © THE FINANCIAL TIMES LIMITED 1994 No 32,306 Week No 9 LONDON . PARIS . FRANKFURT . NEW YORK . TOKYO

مكذا من الاصل

Europeao Union member states could achieve nominal convergence in inflation and budget deficits by 1998, according to a "scenario" published yesterday by the European

Its report oo the European economy in the year 2000 gives based on different policy assumptions

However, the Commission warns that even a gradual path to "coovergence" would require moderate wage increases, tough budget policies, and a recognitioo that uoemploymeot would only start falling in 1996. The jobless rate would still be 7.5 per

cent in the year 2000. A more radical approach to labour market flexibility including a reduction in employers' social security contributions for low-wage earners - could cut unemployment faster, according to the Commis-

Thus the average growth of employment could be 2 per ceot, associated with GDP growth of 3.5 per cent. Assuming that real wage costs per ad remained one point below productivity, at about 0.5 per cent per year, the unemploy-ment rate could fall to 4.5 per cent by the end of the decade.

"This favourable scenario, appealing as it might be, implies very stringent requirements for public policies and private behaviour, together with the need for strong co-ordination at the Community level," the paper says,

If member states pursue a "do nothing policy" and drop efforts to achieve convergence, they risk social tensions and a return to "beggar-thy-neigh-bour" policies. The EU would be "plunged into the deeply divergeot conditions that prevailed 20 years ago" after the first oil crisis sbock, "but with a worse social situation".

 Mr Gordon Brown, UK shadow chancelior of the exchequer, called yesterday for a new European recovery fund to finance job-creation projects, investment and training. Without putting a price tag on the new fund, Mr Brown said it to tackle the next recession.

Mr Jacques Delors, president of the European Commission,

David Gardner reports from Brussels on how extra EU money broke the logjam

Cash carries the day in enlargement talks

endearing consistency yesterday in the way it broke the logiam after five days of gruelting talks on entry terms for Sweden, Finland, Austria and

True to past form, when faced with a choice between the four candidates' problems about money and their difficulties over principle, the EU headed straight for the money. At midday yesterday, follow-ing the near collapse of the talks around dawn, the Swedes settled for a substantial extra financial consideration which gives them, and to a lesser extent the other applicants, a rebate on their EU budgetary

cootributions in the first three years of membership. All told, the rich oewcomers will get Ecu3.6bo (£2.7bn) in 1995-98 to cushion the instant

alignment of their higher farm prices with EU levels, which the Union insisted on. Not until the end of this period, therefore, will they contribute the net Ecul.7bn to the EU budget foreseen before this last round of talks - a figure itself less than balf original esti-

The Swedes, in fact, face no wrenching adjustment of their agriculture regime, since their farm prices are similar to the EU's. What they won was a budget rebate disguised as a farm adjustment payment (worth up to Ecu2bn in the first three years) and in the tradition of the contentious UK rebate won 10 years ago by Mrs Margaret Thatcher.

Sometimes it pays to be stubborn," remarked a Swed-ish negotiator with quiet satisstubborn over their budget contributions, not only by the EU but by their Nordic neighbours. But they clearly knew whom they were dealing with. By settling with the Swedes on money, the Union hopes it has "front-loaded a band-

wagon", as one EU negotiator put it, on which the other three applicants were yesterday trying to clamber.

By early yesterday evening Finland settled too, for a deal that looked as though it declared the entire country an Arctic region eligible for special agriculture support. During the night the Union had all but conceded, but carefully camouflaged this in a way politically and culturally unacceptable to the very straight-forward Finns. "There is a litMr Piet Dankert, the Dutch European affairs minister. Austria was due next, on the

brink of a formula conceding

its demand for restrictions on EU trucks transiting its Alpine The bandwagon effect was such that even Norway, the most obdurate candidate, whose ministers left the talks

at dawn expecting to try again

with EU foreign ministers next

Monday, returned to the nego-

Not every EU member state was delighted by the fiscally-induced breakthrough. The Spanish, French and Dutch thought the applicants were being alowed to get away with highway robbery. They and others criticised the current Greek president of the EU Council, Mr Theodoros Pangalos, for running a bazaar, and Germany for behaving more like the applicants' lawyer than an EU member.

But as the chaotic talks headed for the rocks early this morning, Mr Pangalos refused to admit defeat, Mr Jacques Delors, European Commission president, appeared like a deut ex machino with an extra Ecu750m to provide more and Mr Klaus Kinkel, German foreign minister, seized control of the negotiations.

"Germany played a very cru-cial role," a senior Swedish negotiator acknowledged. For instance, the Germans worked hard to satisfy the Finns by ridding their agriculture text of the normal Euro-ambiguities which so appal the literal-minded Nordics, while keeping it - just - within Euro-rules.

many locked up Norwegian and Spanish negotiators to argue about fish, presumably hoping to endorse the views of whoever came out alive. Spain wants 14,000 tonnes of cod or equivalent from Norway's richly endowed and carefully mded waters. Oslo, as one Spanish negotiator put it, is sticking to its "NASF [not a single fish] formula. They

won't give an inch." There was, last night, unden-iable momentum at last behind the EU's drive to embrace the Nordic and Alpine candidates and begin the drive for a wider Europe".

The risk remained, however that Austria and Norway in particular would continue to play hard-to-get in view of the EU's obvious eagerness to

(a financial bonanza goes with-out saying) "then this picture is e public service" Speaking hours before last night's German premiere, he could not but be aware that it was already having such an effect. The face of the main character, the un-saintly Oskar Schindler, had two weeks earlier appeared on the froot cover of the mass-circulatioo news magazine Der Splegel, with the cover-line, "The Good

Spielberg

soothes

German

angst

By Christopher Parkes

If Steveo Spielberg had

directed Schindler's List when he bought the rights to

Thomas Keneally's book in 1982, two weeks after the US

opening of ET, it would have

een a movie oot a film, he

sald yesterday.
As things turned out, lt

became a document 'rich in

incident and information", or

even "a Holocaust Museum at

24 frames a second". And if it

is a success by his personal

reckoning, and educates people

German". It came as a mild relief to a country recently confronted with vile images of neo-Nazis burning out and killing refugees, defacing Jewish cemeteries, and reviving notions worldwide that "the ugly Ger-man" was the sole and true

representative of the nation. Awareness has since spread that the Jewish-American boxoffice king, with a history as a specialist in the ludicrously sentimental, had presented a work, harsh, true and uncompromising, but free of caricature and cliché.

Speaking in the home town of Oskar Schindler, the liber-tine National Socialist party member and industrialist who saved more than 1,000 Jews from death in wartime German extermination camps, Mr Spielberg reminded his audience of mainly German and central European journalists that last year 60 per cent of US school children had not heard the word "holocaust".

The same cannot be said of German youth, but it won him warm applause from journalists who have already taken up the public service cause with a vengeance. A front page editorial in the influential Frankyesterday the "profoundly unideological" work had a chance to reach an audience far wider than the "selected public" usu-ally reached by "often very

important documentaries". Mr Spielberg, who watched it again last night in the pres-ence of President Richard von Weizsäcker, was himself inspired to start work by film and videotape images transmit ted relentlessly out of Bosnia.

He was still putting the finishing touches to another blockbuster movie, Jurassic Park. "But when I first heard the words 'ethnic cleansing', it shattered me and I decided to rush into production," he said. He hraced himself for the realities of filming in Auschwitz, arriving with "a chip on my shoulder" and spent four months at work in "a cemetery". His children learnt how to speak Polish and eat her ring. He himself eventually learnt to speak civilly to young German actors in Nazi uni-forms, and he heard from them that the work in progress was "the best thing that could hap-

pen to their generation". He could not say if Germany was ready to face the past, as he was asked by a young jour nalist last night. He could not say why more Jews did not resist being driven to the "asphyxiation rooms". Perhaps these were subjects for future films. "This is about education, awareness and conscious-ness.... and I hope it is not the end of motion pictures about

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Swedish and Finnish PMs set for battles on the home front

By Hugh Carnegy

Comparing Sweden's accession agreement to its nail-biting capture of the Olympic ice hockey gold medal on Sunday may have been atretching a point for most hockey-mad Swedes. Bot Mr Carl Bildt, prime minieter, wes unabashed in celebrating the country's "most important international agreement of the

The 44-year-old leader of the conservative Moderate party has made getting traditionally neutral, aloof Sweden into the EU a central platform of his right-centre coalition since it came to power in 1991, along-

side his aim of liberalising the huge state sector economy. terms is also an important political victory for Mr Esko Aho, 39-year-old Finnish prime

minister from the Centre party

and leader of a similarly-comprised coalition But both men know there remains a long way to go to secure approval in referentries that will decide if they can toin the EU on January 1 next year as scheduled.

First the young prime minis-ters will be boping their Nor-dic fellow applicant, Norway, will also come on board, as a Norwegian decision to stay out would undoubtedly stiffen the

already strong Swedish and Finnish anti-EU camps. Then, both Mr Bildt and Mr Aho have to decide when to schedule referendums. Mr Aho, whose own rurally-based

party is split on the issue, fevours the actumn to give Like Mr Aho, Mr Bildt has vital support from the opposi-tion Social Democratic party, which originally lodged Sweden'a EU application. But he and Mr Ingvar Carlsson, the

SD leader, are set to tangle over the referendum date. With the latest Swedish opinion polls showing previously strong No support shrinking to 42 per cent, and the Yes vote rising sharply to

35 per cent. Mr Bildt is keen to hold the vote in June or on tember. The Social Democrats, however, want to wait until the antumn believing they need more time to win over strong opposition to membership from within party ranks.

This poses a real dilemma for Mr Bildt. Conventional wisdom dictates that a Yes majority is impossible without a powerful SD Yes campaign. The best conditions for a Yes vote may come if the Social Democrats, currectly leading in the polls, win power in September and hold the referendum in October or November. But that is hardly an appeal-ing scenario for Mr Bildt.

'New primitives' drive Serb professionals abroad ties, the medical system or the media, there's no pretence of

Kerin Hope on those who cannot abide the profiteers and extremists

rom ballerinas and bas-ketball players to elec-tronics exports geons, the rump Yugoslavia's professional class is being decimated by emigration.

While no official figures are available, more than 100,000 Serbs are believed to have left the country since the collapse would bolster EU-wide efforts of the Yugoslav federation, many of them young men

avoiding conscription. "What's most disturbing is

class people whose skills and ldeas will be crucial to rebuilding the country once UN sanc-tions are lifted," says Mr Ratomir Tanic of the Civil Alliance, a democratic opposition party. South Africa and Zimbabwe, where immigration regulations are comparatively relaxed. have attracted the largest num-

where there are well-established expatriate communities from the former Yugoslavia, is more difficult except for students, say would-be migrants.

Most young migrants are university students, but some Serbian parents are spending their hard currency savings to send teenaged children abroad to finish their secondary edu-

grammes which have not been affected by the UN embargo. "School in Belgrade is get-ting impossible. You can't get there because the buses aren't running; kids mess around in class because they don't see any future in studying and the teachers can't handle it. I want to get out," says Ms Ljubica Petrovic, 16, who hopes to fin-

ish high school in Canada. Yet just before Yugoslavia broke apart, prospects for professionals had rarely looked brighter, under a short-lived reformist government that tried to promote private business, fiscal modernisation and the restructuring of the banking system.

However, the impact of UN sanctions has been almost as devastating for the fledgling private sector as for large state enterprises, where managers' responsibilities have virtually disappeared as exports halted and workers were sent home on "technical leave".

Hyper-inflation in Serbia and

assets to finance their children's studies abroad, at the same time removing any incentive for private investment.

The government's new economic programme, which imposes much higher taxes on private businesses, is expected to drive more people away.
"I don't think there's any

understanding of what small entrepreneurs have been trying to do to keep things running despite sanctions," says Mrs Mirjana Blagojevic, a travel agent who used to work for JAT, the former Yugoslav national carrier. "The new taxes will wipe out practically all my profit margin and may send me into retirement

abroad. The increasing influence of what Belgrade's professional class calls the "new primitives", the profiteers making money out of sanctions-breaking and the war in Bosnia and tha self-avowed nationalists who have taken senior jobs in the public administration, has

jobs on merit any more. They mostly go to people close to the socialists [of President Slobodan Milosevicl," Mr Tanic says. "In business, we're moving towards a Latin American situation of powerful criminal groups effectively controlling

The rump Yugoslavia's isolation has already affected the quality of medical services, for example, although drugs and medical supplies are exempt from sanchons. The Child Heart Foundation,

set up in Belgrade two years ago to carry out open-heart surgery, is struggling to survive. Its founder, Dr Vladimir Hrujak, says two members of his team have found jobs abroad, while funding has been

"It's a battle to keep going, professionally. In this branch of medicine you need to keep in close touch with what's hap-pening abroad and I can't do that any longer. I might be able to get a medical job somewhere abroad, but I wouldn't he doing heart operations any longer," Dr Hrujak says.

Montenegro eroded savings also speeded up the exodus. "Whether it's the universi-Czechs and Slovaks win praise for their progress

Sixty years ago Czechoslovakia was among Europe's leading industrial nations. Today the Czech Republic, as the more developed of the two parts of the former Czechoslovak federalion, ranks about equal with the European Union's two poorest members in terms of gross domestic product per capita, according to e report on the Czech and Slovak republics by the Organisation for Eco-nomic Co-operation and Devel-

There is perhaps no more telling statistic for four and balf decades of communist management, and debilitating waves of migration that began before the Second World War and ended only with the "vel-vet revolution" of 1989. The split of the federation on January 1, 1993, further reduced the economic and political stature of its constituent republics. The whole was greater than

the sum of its parts, and both have had to adjust to living The OECD report shows both countries suffered from the split, though adjustment costs

have been far heavier for Slo-

vakia than for the Czechs.

The Czech Republic, with its more diversified industrial base and economy, and close proximity to western markets. adapted more easily, though it has yet to pull oot of recession. Slovakia, with its dependence

ments aimed at eastern mar-kets, was doubly hit by the collapse of its trading partners in the former Comecon trade bloc, and the loss of financial transfers from the federation. It has also had to build an administration almost from

Nevertheless, hoth have made considerable progress in their transition to market economies, the OECD says. The report praises the Czech Republic for its reforms. Macroeconomic stability has been maintained with underlying inflation at around 10 per cent and "lower than in any other post-communist economy in transition"; the state budget is practically balanced and the current account is in surplus.

Octput has cootinned to stagnate, but the economy appears "set to start on a path of slow expansion in 1994, that may accelerate in 1995". Growth is forecast at 2 per cent this year and 5 per cent in 1995, with exports rising 10 per cent. But, it warns, "the transition is far from complete, and much potentially disruptive restructuring remains to be done" The reintroduction of wage controls in July was a stap backwards. Unemployment may double to 8 per cent

The OECD is more cautious about Slovakia, though it argues that the economy is already showing a number of

sector accounts for 35-40 per cent of economic activity, and pared with that in other eastern European and some OECD

But immediate prospects are poor. A decline in aggregate output of 5 per ceot last year is likely to be followed by stagnation this year, with growth of 2 per cent only resuming in 1995. Unemployment is set to rise to 18 per cent of the workforce this year, and inflation will fall only slowly from 25 per cent in 1993 to 20 per cent this year. The budget deficit is likely to

remain at around 5 per cent of GDP, and limited domestic financial resources make reducing the deficit more

Expenditure on arms productioo and defeoce should be

Political uncertainty has deterred foreign investment, says the report, which urges the government to develop a coherent set of policies for stabilisation and structural reform. Some of the report's etatistics compiled before the end of 1993 are already out of date but the main trends remain in place, and as the first comprehensive study of the two countries since they went their separate ways the OECD has usefully begun the job of clearing the air about the real state of the two econo-

the Shoah," he said.

Neu-lseaburg (owned by Hürriyet International).
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Sweden's finance minister Anne Wibble and European affairs

minister Ulf Dinkelspiel in Brussels yesterday

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EUROPEAN NEWS DIGEST

Russian accused of giving defence secrets to UK

Russia yesterday announced it had arrested a Russian armaments official for passing on defence secrets to Britain, writes Leyla Boulton from Moscow.

The ltar-Tass news agency said an unnamed Russian citizen had "on assignment of British intelligence for monetary reward ... collected and handed over information of a secret military and

It said he had been supplied with invisible writing materials and means of secretly supplying information to intelligence

agents at the British embassy in Moscow. A Russian security official later identified the arrested man as the manager of a state-owned company called Special Machine Building and Metallurgy, which specialises in military armour and artillery, ltar-Tass said the man was arrested on January 15 and charged on January 25, with "high treason in the form of espionage

 Only two days after promising western financial institutions that it remained wedded to financial austerity, the Russian government was yesterday arguing over whether to pump trillions of roubles into alling coal mines as a panacea for problems which its radical predecessors had vowed to tackle by freeing coal prices and restructuring the industry. Mr Victor Chernomyrdin, the prime minister, also ordered new subsidies for young children and single mothers and spending increases on Russian officials and new consulates in former Soviet republics.

Action by German public workers

German public sector workers yesterday stepped up a nationwide campaign of disruption, while the IG Metall engineering union said it was confident of securing backing for a full strike next week. Reuter reports from Frankfurt. In both sectors workers have been angered by management calls for a wage freeze and benefit cuts against a backdrop of recession. The public employee protests have hit transport systems, hospitals, kindergartens and waste collection in large cities across Germany. Meanwhile, Mr Jürgen Peters, head of the IG Metall union in the north German state of Lower Saxony, said be was confident 100,000 engineering workers voting this week would decide overwhelmingly in favour of a strike. The first vote showed an 80 per cent turnout rate, IG Metall said, with a 75 per cent majority of votes needed for a strike. Government officials have talks set with the OTV public sector union for next week, but no talks are in prospect between the two sides in the engineering dispute.

Turkish lira continues to fall

Turkey's currency crisis deepened yesterday, with the lira losing a further 7.8 per cent, following the official 12 per cent devalua-tion in January, writes John Murray Brown from Ankara. The central bank dollar rate of TL21,550, compared with a devaluation rate of TL17,250, is putting the economy under increased strain. A sharp increase in overnight interest rates, up to 200 per cent on Monday, has not slowed the depreciation and with reserves down 25 per cent since the start of the year, there is little room available for bank intervention. On February 18 reserves stood at \$4.6bn (£3.15bn) compared with \$7.7bn on December 30. The crisis was sparked by the growing public deficit and the announcement that Turkey's international credit rating had been downgraded by

French politicians questioned

French police yesterday rounded up some 30 local politicians and possible underworld associates for questioning about last Friday's murder of Mrs Yann Piat, a conservative UDF deputy who had crusaded for a clean-up of her Var constituency on the Riviera, writes David Buchan from Paris. Among those questioned were the UDF vice-president of the Var departmental council and the mayor of Hyeres whose post Mrs Piat was planning to contest in this month's municipal elections. Earlier this week Mr Charles Pasqua, the interior minister, said he was determined to clean up the Riviera region which was last year identified in a parliamentary report as an area of growing Maña influence.

The Dutch go to the polls today in local government elections ahead of national elections on May 3, writes Ronald van de Krol from Amsterdam. Opinion polls suggest the two parties in the governing coalition - the Christian Democrats, led by the country's veteran prime minister Mr Rund Lubbers, and the Labour party - would lose their majority if general elections were held this week, with the opposition Liherals and D66 registering sharp gains. A poll by the Nipo polling company suggests the Christian Democrat's support would fall to just 35 seats in parliament, from 54 in the 1989 elections, and Labour to 31 seats, down from 49.

Dutch reconsider phone tax

The Dutch government yesterday said it would reconsider its plans to levy a special tax on the profits of companies operating mobile phone networks, writes Ronald van de Krol. The move came after a majority of parties in parliament expressed their opposition to the planned 7.5 per cent tax. The special mobile telephone tax, which would have been the world's first, had been attacked as a threat to the development of modern mobile com-munications in the Netherlands.

Romanian ruling party seeks pact

Romania's ruling party was yesterday in talks with the pro-re-form Democrat party, after failing to meet a deadline to form a new governing coalition with the Romanian National Unity party, a bardline nationalist organisation, and other extremist parties, writes Virginia Marsh from Bucharest. The PSDR ruled out sharing power with the DP and other pro-reform opposition parties but said the talks were aimed at concluding a political pact with them. Meanwhile, more than 700,000 workers, mainly in heavy industry and mining, yesterday continued their general strike for a second day, the Alfa Cartel union said.

ECONOMIC WATCH

German inflation eases

West Germany's inflation rate fell to 3.3 per cent in February from 3.5 per cent tha month before, helped by falling goods prices and lower real wages, though bopes of a fail below 3 per cent this year still depend on developments in rents, import prices and public and private sector services. Prices for goods rose only 23 per cent in 1993. Gross pay for west German industrial workers fell by a real 1.6 per cent - the first fall since 1983 - while white collar pay stagnated. The government warned, however, that west German basic hourly pay was still growing too quickly. Between 1985 and 1992, German wages rose a real 20.6 per cent, compared

with 12 per cent in Japan and 5-6 per cent in France, Italy and the Netherlands, Rates in the US had fallen by 8 per cent, Spain's industrial production rose 6.2 per cent in December from a year carlier, but declined 7.6 per cent from November 1983, leaving industrial production for the year down 4.6 per cent on

■ Swedish new car registrations rose by 12 per cent last month the 1992 figure. to a preliminary 10,714 units, from 9,549 in February 1993. New registrations in January and February were up 20 per cent, to 21,111 from 17,568 the same two months in 1993.

Longuet sees alliances as industry's hope

John Ridding and David Buchan talk to a French minister with a difficult brief

s minister for industry, trade, posts and telecommunications, Mr Gérard Longuet has one of the broadest and trickiest briefs in the French government. His in-tray bristles with delicate dossiers, from the restructuring of public sec-tor companies selected for privatisation to the reform of France Telecom and the promotion of trade and investment links in international

Yesterday, for example, Mr Longuet was faced with the task of persuading Mr Karel Van Miert, the European competition commissioner, to allow a capital injection of FFr7hn (£812m) for Groupe Bull, the loss-making stateowned computer group. Brussels' decision on the capital increase will help determine the fate of one of the country's higgest technology-based

Bull is just one of the problems inherited by Mr Longuet when he took his post in March last year. With budget deficit target of FFr300bn this year, the state cannot afford to fund loss-making groups and has embarked on a programme of privatisation to support the public coffers.

However, to achieve this sevaral companies from Bull to Pechiney, the aluminium group, and Usinor Sacilor, the loss-making steel group, need to

be prepared for sale. For Mr Longuet, a self-declared liberal, but also a pragmatist, the solu-tion is often to be found in industrial

"An important factor for Bull's pri- state of the financial markets. vatisation is an increased relationship with its present partners, such as NEC," says Mr Longuet, who believes the state's holding in Bull could be reduced to less than 50 per cent by the end of the year.

He dismisses the political sensitivities which could arise from the sale of a substantial part of Bull's capital to a Japanese company.

"Mr [Jean-Marie] Descarpentries [Bull's chairman] has been given carte blanche," he says. He expresses concern, however, about the sala of Rover to BMW, which angered Honda the British company's partner. "It is a precedent which is not favourable for relations of trust with the Japanese." The industry minister's enthusiasm for alliances spreads beyond the reso-

many cases, he views partnerships as the best means to strengthen the position of French companies on the international stage.
"Why do I want to privatise Renault?" asks Mr Longuet. "It is to give it the opportunity to find partnerships with other companies. If the cards in

lution of public sector problems. In

the industry are reshuffled, there is no reason why Renault should not be Since the failed deal at Volvo, Ren-ault has largely disentangled itself from the cross-shareholdings and industrial alliances that bound the prospective partners. Mr Longuet now hopes to privatise the French motor group this year, depending on the

The most striking example of an alliance in Mr Longust's domain, however, is to be found in the courtship between France Telecom and Deutsche Telekom, its German coun-terpart. The agreement last December between the second and third largest international telecommunications operators to create a joint venture to

supply data and other services to cb-

ents is the first step towards a deeper

industrial alliance which is expected to include the exchange of equity. For this to happen the French tele-come group requires a change in its legal status to transform it from a state agency to a public sector company with its own capital. The threat of union opposition, however, has forced Mr Longuet to delay such a change. Negotiations, he says, are being held in an attempt to win the support of France Telecom's employ

a prelude to privatisation. Mr Longuet says privatisation is not on the cards. But he is determined to allow the group to open its capital to forge alliances with international partners. France Telecom's defeat by British Telecom last year in the fight for the hand of MCI of the US is a precedent which Mr Longuet does not precedent which Mr Longuet does not want to see repeated.

ees, many of whom fear that reform is

The manoeuvrings of the French and German telecoms groups reflect the close trada and industrial links between the two countries. But according to Mr Longuet there is

Longuet: tricky brief

cial relationship.

"Germany has to accept the idea that there are other industrial countries in Europe," Mr Longuet says bluntly. He cites the vehicle, transport and evergy sectors as areas where co-operation should be increased with Germany to strengthen the competitiveness of European companies against Japanese and US rivals. One example is in high-speed railways, where the TGV produced by GEC-Alsthom is engaged

in fierce competition with the German

Despite his emphasis on partoerships and alliances, Mr Longuet is confident about the strength of French industry. "For a European country, that is to say a country with a certain level of social protection and salaries, France is very competitive." In support of this he points to export figures, which rose in the final months of last year, despite depressed demand in markets such as Germany.

But if France is to maintain its industrial strength, broader reforms are needed. "The big challenge for a liberal government in France over the coming years is to reinforce our capistment. We have to create the right conditions for domestic and for-eign long-term investment," he says, ruling out "artificial" industrial policies that provide incentives for specific activities.

The first step, he believes, is under way. Mr Edmond Alphandery, the economy minister, has said be will introduce reform of France's pension system which should encourage long-term savings and, through private funds, create vehicles for long-term stock market investment.

Fears of extinguishing France's fragile consumer recovery appear to have pushed back the reform from spring to the autumn, but Mr Longuet is certain the reforms will take place. At least that is one problem in someone else's in-tray.

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jobs market improves

Japan's alling jobs market perked up slightly in January, to the markets' surprise, but the underlying unemployment rate continues to rise, William

Dawkins in Tokyo reports.
Unemployment inched down to 2.7 per cent in January, from a revised 2.8 per cent in the previous month, the first fall for nearly two years. At the same time the number of jobs available rose slightly to 67 for every 100 people looking for work, from 65 in the previous

However, the January job-less rate still stands et a sixyear high and the number of companies announcing early retirements and freezes on

recruitment continues to rise. The total out of work rose by 21 per cent from the same month last year, to 1.84m, the government's management and co-ordination agency reported. New job offers continue to fall sharply in manufacturing. down by 32 per cent over the year to January, though the boom in low cost housing has created a 4.4 per cent rise in construction jobs over the ting table.

Angola cuts exchange rate

Angola devalued its official exchange rate by nearly 30 per cent yesterday, the third deval-uation in the past two weeks. Reuter reports from Luanda.

The National Bank of Angola said the official rate of the kwanza was now 24,970 to the dollar. compared to 17,838 in force since February 21 and 12,740 from February 14 when it was cut from 6,500.

The devaluation was part of adjusting the official exchange rate to a point of macro-economic equilibrium". the bank

Walvis Bay free trade zone opened

Namihian President Sam Nujoma opened a free trade zone in Walvis Bay yesterday, calling the newly-incorporated port a strategic gate to markets in Africa and Latin America. Renter reports from Walvis Bay, Namibia.

South Africa and Namibia signed a treaty on Monday transferring Ownership of Walvis Bay, ending what President Nujoma called the final chapter of apartheld colonialism.

Algeria reduces oil revenue hopes

Algeria has revised down the revenue it expects from its petroleum exports this year to \$8bn trom \$9bn, e spokesman for the state-owned Sonatrach agency said yesterday, Router reports from Rabat.

The estimate is "based on an average price of \$15 a barrel for Algerian crude. Our torecast of oil revenues for 1994 will be around \$8bn." the spokesman for Sonatrach's cummunications department said.

Income from petroleum exports, which represents more than so per ceut of foreign exchange earnings, was esti-mated at about \$9bu last year but since then oil prices have

Mr Abdelhak Bouhafs, Sona trach's managing director, said in an interview published by the Auguers daily Liberte last month "a decline of \$4 a barrel means a loss of \$2bu". Servicing Algeria's foreign debt of \$25.7bn cost \$9.3bn last

Sri Lankans vote

Sri Lankans voted for the first time for 11 years in the wartorn worth and also in the east yesterday amid reports of intimidation by ruling party supporters and police, Reuter reports from Colombo.

Residents and an opposition politiciau reported attacks or threats 10 polling officers and voters by United National

Settlements forced to top of peace agenda

David Horovitz on the issue Rabin was desperate to keep for later in Mideast talks

r Yitzhak Rabin, Israel's prime minis-ter, has tied the future of his government and cess. If that process collapses, it is likely his government's chances of winning re-election will collapse with it. And, more important perhaps, the chances of a stable Middle East emerging in the foreseeable future are likely to disappear too. Yet this week, after the mas-

sacre in Hebron's Cave of the Patriarchs and with the Pales-tine Liberation Organisation demanding a crackdown on extremist settlers as a condition for resuming negotiations on Palestinian self-rule in the occupied territories, the prime minister has held back.

Mr Rabin and some of his more loyal ministers have been portraying a new series of mea-eures introduced to curb the wildest settler excesses as harsh beyond precedent. But placing half-a-dozen of the most unsavoury ideologues into three-month terms of administrative detention, and disarming or restricting the movements of about a hundred more, has been insufficient to reassure the Palestinians or to woo them back to the negotia-

Baruch Goldstein, the Brooklyn-born doctor whose 111 bullets last Friday have done such damage to the fragile Israeli-Palestinian reconciliation, would not have been on the

Massacre

takes joy

prisoners

belongings in shoulder bags.

months left to serve anyway."

Friday's massacre and the

ensuing clashes were the

worst day of bloodshed in

Israel's 27-year occupation of the West Bank and Gaza Strip

and led to e suspension of Mid-

The forlorn little group of

men had been driven from

Ketziot prison camp in Israel's

Negev Desert to Hebron in a

They were dropped at Israeli

busload of ebont 30 prisoners

dle East peace talks.

archs.

settlers, possibly not even in the top 50. The expressions of support for his actions from sections of the settlement movement suggest that there may be more Baruch Goldsteins out there waiting.

Jewish settlements in the ora

1,883,300

While few in the Israeli mainstream advocate disarming all 115,000 settlers, as the PLO has demanded, there are many, including several cabi-

time has come to evacuate the most provocative settlements. such as the Beit Hadassah enclave in the heart of the Palestinian population in

It is not that Mr Rabin is fundamentally opposed to the concept of uprooting settletually by the PLO. Far from it. While be is publicly reticent on always indicated that the prime minister regards barely a third of the 140-plus settlements dotted throughout the West Bank and Gaza Strip as serving a vital security pur-

His ultimate vision, those aides believe, would be to retain the new Jewish Jerusalem suburbs that have sprung

East Jerusalem in 1967, plus a ring of settlements protecting Jerusalem, and another row along the eastern edge of the West Bank, on the border with Jordan. The residents of most other settlements should be offered compensation to move back into Israei, or face the prospect of living under Pales-tinian rule.

The problem with that vision is that it is not shared by a substantial proportion of the Israeli electorate. Many, maybe even most, Israelis are still reluctant to see settlements evacuated in a land-for-peace deal with the Palestinians. Even in the immediate aftermath of Friday's massacre, a newspaper poll showed that while 46 per cent of Isrselis wanted the Beit Hadassah enclave evacuated, 50 per cent believed the settlers should be allowed to remain.

Mr Rabin's intention, as reflected in the provisions of the framework antonomy accords signed at the White House last September, was to win over public support gradu-ally. This would be achieved by first granting the Palestinians self-rule in Gaza and Jericho. It would then be extended throughout much of the West Bank. Over the next two years this should allow the level of Israeli-Palestinian violence to ebb and the first seeds of mutual respect to sprout.

Only in 1996, according to the framework accords, were on the negotiating agenda. And by the time it came to encouraging settlers to leave, at the end of the interim period in 1998/1999, Mr Rahin was betting that e substantial majority of Israelis would be prepared to sacrifice settlements in the cause of a peaceful co-existence

they were already enjoying.

Barach Goldstein has badly dented that scenario. Palestinian negotiators are asking if there is much point in discuss-ing the minute details of the planned transfer of authority, when Goldstein'e admirers are free to roam through Arab population centres, machine guns at the ready, able to open fire whim and make a mockery of efforts to bring e new era of calm to the occupied territo-

Some Palestinian leaders have been saying since Friday that, unless the settlement issue is placed on the negotiating agenda now, there can be no resumption of talks. Others have stopped short of such e precondition. And Mr Yassir Arafat, the PLO chairman, has been characteristically vague.

Doubtless, in their frequent communications over the past few days, Mr Rabin has been explaining to Mr Arafat exactly why he feels be cannot confront the settlement issue just yet. The future of the Gaza-and-Jericho-first autonomy plan, so close to realisation before last Friday, may well now hinge on whether Mr Ara-

Hopes rise over HK airport talks

By Simon Holberton

Britain and China will hold their first formal talks tomor multi-billion-dollar airport since last August, raising hopes that Beijing may be moving closer to an agreement.
The meeting, at China's request, will discuss the Hong Kong government's fourth financial plan for the airport

and its connecting railway.
It follows the collapse of Anglo-Chinese co-operation on Hong Kong's political develop-ment last week and has prompted speculation among British diplomats that China might be moving towards a separation of economic from notitical issues.

China has consistently criticised the Hong Kong government's financial plans for the protect. It has said the government wants to raise too much debt to finance the project: debt which the post-1997 gov ernment will have to shoulder. The government's first finan-cial plan, which found favour with international hankers, provided for HK\$16.3bn (US\$2.1bn) of equity and

HK\$66.6bm of debt. Earlier this year, the govern-ment offered, in its fourth revised plan, to increase its equity contribution to airport and railway to HK\$60bn, from HK\$45hn previously, and to cut the amount of debt needed to finance the project to HK\$23bn

It is unclear how China will react to this latest plan, in spite of its much-reduced bor rowing requirement. Last weekend, after a meeting in Beijing of the Preliminary Working Committee (PWC), some PWC members complained the government had not gone far enough.

It would be surprising if China were to agree to the Hong Kong government's lat-est plan without extracting further concessions. As today's budget will show, the govern ment's revenues are buoyant and it could afford to pump more equity into the project.

Hong Kong's property est-rate and political worries yesterday to bid record prices for three plots of residential land at a government auction, Reuter reports from Hong

The prices were way above expectations. This is obviously a huge vote of confidence in the colony," government land euctioneer Nigel Burley said after the auction.

Mr Burley said the developed properties, units of which will be sold to the public before completion, will come on to the market around 1996 to 1997. Hong Kong reverts to China in July, 1997.

Analysts said they were sur-prised at the high prices - the two more expensive plots at over HK\$2bn (£173.5m) each surpassed expectations by more than HK\$500m apiece. ket reacted negatively to the auction.



Adel Namis, one of 500 Palestinians released from Israeli army jails, being welcomed home by relatives in Bethlehem yesterday

town and left to find their own "I don't even know how I'm

going to get home," said Mr Gheith. Most of the men had been in prison for some years and were first told they would be

The group included Mr

Amin Abu Argoub, 21, who

occupation headquarters in had served 48 months of a 50month sentence, and Mr who had served four years and seven months of a five-year

They said all those released were known to the Israeli anthorities as anpporters of PLO Chairman Yassir Arafat's Fatah faction, although some had become Islamists in

They declined to tell what they had been sentenced for, saying only they were involved in "intifada [Palestinian uprising] activities".

An army communique on the prisoner release said the freed men had not "shed blood" or been involved in "terrorist" attacks since the

Mr Abu Argoub said he was glad to be out of Israel's noto-rious Ketziot prisou: "Conditions were had and getting worse. We were about 25 to a tent and there were a lot of ill prisoners and not enough med-

While they talked on the street, an Israeli army patrol stopped and checked their

Mr Abu Khesh said he had been happy when he heard in prison last year of the Oslo self-rule agreement between said the only goal worth achieving was e Palestinian state.

"The Israeli steps, including our release, are not even 1 per cent of what is necessary," he

Australia budget priorities set out By Nikki Tait in Sydney ment for e couple of months,

Australia's budget priorities in May would be "to improve the prospects for the long-term unemployed, to promote indus-try and regional development and to implement the Native Title legislation," Mr Ralph Willis, Australian Treasurer,

These measures, coupled with the government's commitment to reduce the hudget deficit to about 1 per cent of gross domestic product by 1996-97, meant there would be "little

freed early yesterday.

came as he unveiled the Australian government'a initial budget platform, which is con-tained in a document called the "fiscal framework". Publication of the background statement is the starting point for negotiations on budget details with the Labor party caucus, and with the minor parties holding the balance of power in the Australian senate.

The government is anxious to avoid a repeat of last year's flasco when its finance packas haggling over specific measures continued. Accordingly, a defined period for negotiations had been set up this year. and the budget date itself moved forward from late summer to May.

The fiscal framework provided few new projections about the economy. But it did play down the likelihood of a "jobs levy" to fund the unemployment measures. "The introduction of a jobs levy...has accommodating the increased

not rejected the suggestion, it would prefer to meet its objectives without having to introduce such a measure." Australia saw a seasonally

adjusted current account deficit of A\$1,26bn (US\$903m) in January, in line with analysts' predictions, and a considerable improvement on the unexpectedly large deficit recorded in the previous month. The nber current account deficit has now been revised to

Price-protest miners prejudicing the deficit reduction programme, it said. "While the government has Australian coalminers, on

strike since Sunday to protest at lower coal export prices, have voted to stay out until Friday, Reuter reports from Sydney. Those attending a raily in Canberra demanded an inquiry into negotiations between Australian coal companies and Japanese buyers. A deal covering Australian coking coal reached in January resulted in price cuts of 89.5

per cent for the year starting April 1. The miners, who say

as Hanoi; any found looking

for a job were rounded up and

sent home. Since 1992, as inter-

the cuts will lead to fewer jobs and mine closures, repeated their demand for a national coal-marketing authority to negotiate prices with Japanese buyers. Companies say that would be tantamount to nationalisation.

The miners vowed to strike indefinitely if employers took disciplinary action. Mr John Maitland, miners' union president, will meet Prime Minister Paul Keating today to discuss

Vietnam's jobless problem comes out into the open

s the sun rises over A Hanol, hundreds of young men gather on the dusty verge in the middle of Giang Vo street. Some sit in groups: others lie on blankets trying to sleep. Most of the men are peasant farmers. All are looking for work.

Giang Vo street is one of six or more main roads leading into the Vietnamese capital which have become informal job centres. Foremen looking for labour on one of the dozens of construction sites around

Roads into Hanoi are now informal job centres, writes **Iain Simpson**

Hanol come to hire workers by the day, the week or the hour. Giang Vo is lined with shops selling building materials, and

some of the customers will and cement. If they are lucky, they will earn up to \$3 (£2) a day and return at night to the cheap, crowded hostels where they stay while they are working in Hanoi

Some men come every day from the countryside around Hanoi to look for work; others have trekked several hundred miles from the provinces of central Vietnam, where when the rice is planted, there is lit-

Unemployment is one of the biggest problems now facing the government in Vietnam. Sinca pro-market economic reforms were introduced in 1986, the level of joblessness has increased rapidly. Official figures show more

than 2m people unemployed out of a workforce of 32m. There are also 5m-6m people who are under-employed. Tens of thousands of work-ers have also been laid off by bankrupt state factories and are looking for new jobs. Also

unemployed are many former soldiers demobilised after the Vietnamese army pulled tts troops out of Cambodia in

Most of the under-employed are peasant farmers, who work in the fields for four to six months of the year. For the rest of the time there is no work in their home villages, so they go to towns and cities in search of other work. Until recently, the problem

nal travel restrictions have eased, the under-employed have appeared on the streets of the capital. One group of men waiting for work on Giang Vo street

had arrived in Hanoi a week earlier from the central province of Quang Tri, one of the poorest in Vietnam. "Living in the countryside, I have no job. of rural under-employment was disguised because people

from the countryside were not I came here so that I can feed allowed to travel to cities such my family," one of the men my family," one of the men said. But he would not move his family to Hanoi because he could not make enough money for them all to live. The government hopes that

growing foreign investment and the domestic economic hoom will create work for many of the people now jobless. But western economists in Hanoi believe unemployment will continue to be a serious problem in Vietnam for many years to come.

China may enter Gatt 'this year' Sir Leon Brittan, European

trade commissioner, said he believed China could enter Gatt this year and trade and human rights should be dealt with separately, Reuter reports from Beijing. Sir Leon was speaking after two days of talks with Chinese

officials on Sino-EU economic There would be complex negotiations to agree the nature of the commitments more precisely and the sched-

ule of timing acceptable to the The EU is seeking cuts in tariffs, greater transparency. improved access for its compa-nies into sectors such as distribution, banks and insurance companies, and a safeguard clause against surges in Chi-

nese exports. Sir Leon gave Chinese officials a protocol on Gatt entry with a list of requirements-China was a founder member of Gatt but left after the Communist takeover in 1949. It

applied to rejoin in 1986. Sir Leon also raised the issue of what he called serious violations of intellectual property rights. The capacity of China's compact disc industry was enormous but in the absence of agreements with foreign companies it created an incentive for piracy, he declared.

The state of the s

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US and UK affirm unity on policies

By Philip Stephens, in New York

President Bill Clinton and British Prime Minister John Major put aside past differences over Bosnia yesterday and announced broad agreement on a range of foreign policy issues as the US leader reaffirmed the "breadth and depth" of the transatlantic relationship.

After talks in Pittshurgh and Washington they agreed to bolster support for Russian President Boris Yeltsin and to launch an initiative to speed implementation of last year's Gatt world trade agreement. Mr Clinton offered strong support for British policy in Hong Kong and carefully sidestepped questions over the visit to the US last month of Mr Gerry Adams, the Sinn Féin leader.

To underline the rapprochement over Bosnia, the two leaders announced they would be sending a joint civil engineering team to Sarajevo to hasten efforts to restore normality to the city. The two governments will approach international financial institutions and seek resources to restore water, power and health services in the Bosnian capital.

After their discussions Mr

Clinton said London and Washington had agreed also on the need to bolster Mr Yeltsin's pursuit of reform in Russia, boost Russian ties with the west, and strengthen Nato's Partnership for Paace programme with the former Communist bloc.

Speaking on the White House lawn after what hoth

'Special relationship' still strong, leaders say

sides were at pains to emphasise had been harmonious meetings, Mr Clinton once again affirmed the strength of the "special relationship". He said that by focusing on occasional problems, such as Bosnia and Ireland, observers had underestimated "the incredible hreadth and depth of our shared interests".

Mr Major responded by saying that the Anglo-American alliance was underpinned by "shared interests and shared instincts" on virtually all the big issues facing the west. To reinforce the point, Mr Clinton offered support for Britain in Its dispute with China over democratic reform in Hong Kong. He expressed admiration for Governor Chris Patten's efforts towards "a genuine long-term strategy for economic and political success" in the colony.

Mr Major signalled his hope that agreement with Mr Clinton on the joint approach to Bosnia would defuse the most explosive issue in often difficult relations between London and Washington over the past year. He told journalists that active US involvement in the search for an overall political settlement hetween Bosnia's warring parties meant that "our policy is heading exactly in the same direction".

Mr Clinton indicated that the US remained determined not to send US troops to Bosnia until there was a comprehensive political settlement, but said Nato's success in relieving Sarajevo had created "a terrific opportunity to build on".

The two leaders will seek to

The two leaders will seek to bring forward to January 1995 implementation of the accords reached in the Uruguay Round. Undar present plans these would not come into force until the middle of next year.



Clinton (left) and Major: harmonious meetings

Chilean fears stilled

By David Pilling in Santiago

Futures trading losses totalling \$206m (£141m) at Codelco, Chile's state copper company, will not affect the country's 1994 budget, according to Mr Alejandro Foxley, the outgoing finance minister.

Mr Foxley, testifying before a parliamentary commission investigating the losses, which amount to nearly 0.5 per cent of GDP, said the deficit would be met through a combination of last year's budget surplus

Codelco would be able to provide the Treasury with an extra \$61m because of higher production and lower costs than envisaged in the 1993 budget. Mr Foxley said. The remaining \$145m would come from the budget snrplus of

and extra revenues from

\$790m.

The losses had been particularly painful, Mr Foxley said, as he had devnted the past four years to saving money to improve the country's fiscal position. As a member of Codelco's board Mr Foxley has been the target of opposition attack over the scandal. He said he had not known Codelco was speculating.

Bentsen firm on banking rules reform

By George Graham in Washingto.

Mr Lloyd Bentsen, US
Treasury secretary, yesterday
refused to back down in the
face of Federal Reserve Board
criticism and insisted that the
four overlapping federal bank
regulatory agencies must be
consolidated.
Mr Bentsen offered to let the

Fed - which currently supervises bank holding companies, foreign banks, and state-chartered banks which are members of the Federal Reserve payments system - conduct joint examinations of a cross-section of hig banks in partnership with his proposed new Federal Banking Commission. This commission would have three members appointed for

three members appointed for staggered six-year forms, as well as the Freasury secretary and a Fed governor. He resisted, however, the Fed's desire to remain a sepa-

rate regulatory agency.
"The federal government is not Noah's ark. We don't have, or need, two Securities and Exchange Commissions. Or

two Food and Drug Administrations. Or two central limbs. We don't need two sets of rules and interpreters, or two sets of examinations," he told the Senate banking committee.

Mr Bentsen offered to allow the Fed to conduct joint examiuations with the Federal Banking Commission of to of the 20 largest US banks, as well as of largest US banks, as well as of a cross-section of smaller banks. "But there will be just one exam per institution, Just

one," Mr Bentsen said.

This concession on joint examinations falls short, however, of meeting the Fed's demands, which are expected to be laid out at another hearing of the Senate banking committee today.

The Fed's principal argument so far has been that it needs to be closely involved in bank regulation in order to stay in touch with market conditions that could affect the whole US financial system Critics point out that the German Bundeshank, generally held out as a model central bank, has no such responsibilities.

Caracas acts to curb rise in prices

By Joseph Mann in Caracas

The Venezuelan government has extended the freeze on the retail price of medicines in place since the start of January for 90 days, and set maximum limits on price rises for some food items.

The minister of economic development, Mr Luis Carlos Palacios, said that from yesterday prices for a list of mass-consumption food items frozen since January could be raised by a maximum of 2.5 per cent a month, just below the government's 1994 inflation target of 35 per cent. These items include bread, sugar, vegetable oil, rice, powdered milk, flour, spaghetti and tinned sardines.

spagnetti and tunned saraines.
There are no controls on the
prices of most other goods and
services, although items such
as electric power rates, public
transport fares and domestic
fuel prices are still regulated or

set by the government.

The government announcement came as a price control decree issued by the last administration was due to expire. Mr Palacios said business had agreed to exercise voluntary restraint on price increases as part of efforts to tame inflation, which reached 46 per cent last year.

If prices rose too quickly, he said the government could use the special economic powers it assumed last weekend to order strict price controls.

In a second stage of the administration's inflation control plan, officials will try to coovince husinesses from producer to retail level to restrain price increases voluntarily for other goods and services not included in the mass consump-

Quebec separatist election defeat

By Robert Gibbens in Montreal and Bernard Simon in Toronto

The separatist Parti Québécois has suffered a surprise setback with its first by-electinn loss in five years in Canada. The victory by Quebec's ruling Liberal party in the largely French-speaking Shefford constituency, east of Montreal, gives an unexpected fillip to Mr Daniel Johnson, the provincial premier, ahead of provincial elections this year.

vincial elections this year.

Mr Johnson, who took over from Mr Robert Bourassa last January, is strongly committed to retaining – if not strengthening – Quebec's ties to the rest of Canada.

Until a few weeks ago a PQ

Until a few weeks ago a PQ victory in the forthcoming election seemed all but assured. The separatist party has promised to hold an independence referendum within 12 months of taking office.

An opinion poll published yesterday also suggested support for the separatists might be waning. According to the poll, conducted by the Angus Reid group, backing for the PQ's federal counterparts, the Bloc Québécois, has dropped to 38 per cent of decided voters, compared to 49 per cent at last October's general election.

However, the mood remains volatile. Last week the Liberals lost a by-election in a constituency they had held for 37 years. Opining polls suggest almost a third of Québécois remain undecided.

remain undecided.

This week's victory gives backbone to Mr Johnson's efforts to hring aggressive leadership to the Quebec Liberals after two years of indecision caused by the illness of Mr Bourassa.

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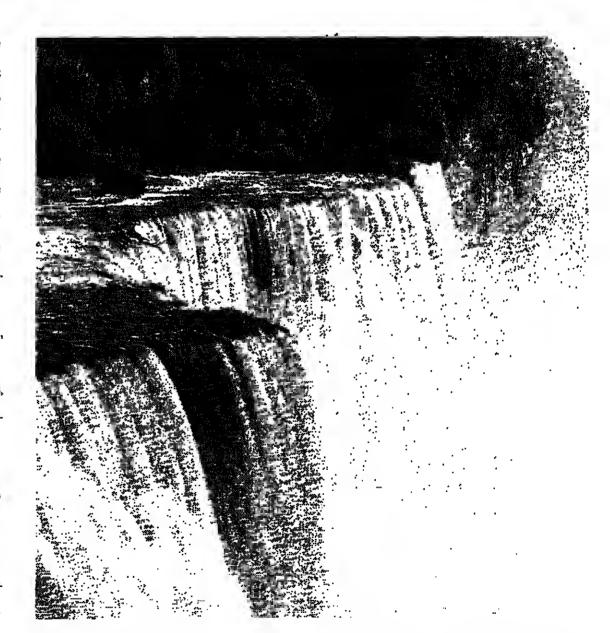
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Brazilian unions threaten strikes

By Angus Foster in São Paulo

Union leaders in Brazil's higgest industrial state, São Paulo, are threatening one-day strikes in protest against economic measures announced on Monday by Mr Fernando Henrique Cardoso, the finance minister.

Unions claim the measures, designed to pave the way for adoption of a new currency, will reduce workers' spending power.

Metalworkers in São Paulo are due to strike today and union leaders are expected to meet next week to consider further action.

They are worried that under Mr Cardoso's plan salaries are being compulsorily switched into a new accounting unit, the URV (real unit of value), while prices remain free to increase in the local currency, the cruzeiro real.

Business leaders say the strikes are unlikely to be wide-spread, especially once workers realise the new unit will lead to stable salaries.

lead to stable salaries.

"There is no atmosphere for a strike in the country at the moment," according to Mr Wilson Brumer, president of Aces-

ita, a specialist steel company.

Reaction to Mr Cardoso's announcement was generally positive, although several analysts foresee considerable political pressure to increase spending ahead of October's elections.

Inflation is not expected to fall significantly before tha package's next stage, the full adoption of a new currency, likely in May.

Mr Pierre-Alain de Smedt, president of Autolatina, the holding company for Volkswagen and Ford's combined operations, said it remained too early to assess the plan in detail

"But what is very positive is that the government has been extremely consistent and transparent in putting it forward," he said.

Autolatina plans to start pricing its cars in URVs. The government hopes the private sector will all switch to the new

It is partly designed to replace a number of different indices already in use which measure price rises, thus fuelling inflationary expecta-

i hind M

Brussels challenges Hollywood moguls

Protection of EU film industry urged

By Lionel Barber in Brussels

Mr João de Deus Pinheiro, the European cultural commissioner, yesterday called for greater protection of the European film industry to counter the power of big Hollywood

Mr Pinheiro said the European Commission was considering possible changes later this year to the "television without frontiers" directive which sets quotas on foreign broadcasting material and films. He also called for "positive measures" to promote European programming and

The Portuguese commis-sioner euggested that these measures would create a breathing space for European industry as it struggles against US competition, and could be dropped "once Europe has a healthy film and TV production sector again".

His comments are certain to fuel controversy about the future of European broadcasting policy and increase tensions with the US. Only last week, Mr Pinheiro caused a stir by calling for an end to the system which has allowed the Hollywood studios to pool their

resources to distribute films in Europe without falling foul of EU competition rules.

The Commission will shortly produce a green paper on a strategy for the audio-visual industry based on two central figures: that 50 per cent of programmes on European chan-nels are of US origin, and that US films now account for at least 80 per cent of box-office revenue in every EU country, except France, where it is around 60 per cent.

US films account for 80% of box office revenue

In his speech to US film pro-ducers yesterday, Mr Pinheiro said it was time to redress the "eerlous imbalance" which existed in the European film market.

"Given that admissions in movie theatres in Europe on the average stagnate, would it not be in the interests of us all...to develop policies developing this market? I believe the answer is Yes." Hollywood, which has strong support within the Clinton administration, is likely to be wary of calls for market-

sharing dressed up as co-opera-

Speaking in Vienna last Monday, Mr Stuart Eizenstat, US ambassador to the EU, said that European quotas on US films were "repugnant" and infringed the principle of free-

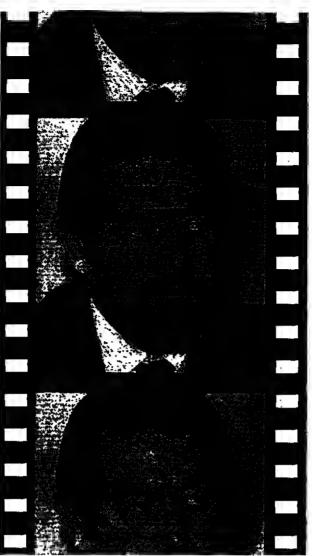
dom of speech.

Mr Pinheiro is vying with
French politicians for the title of champion of European cul-ture. In his speech, he attri-buted the US movie industry's success to the existence of a sound domestic market. "American films deal with

standard stories for a linguistic

and culturally unified public,"

he claimed. The commissioner, a former Portuguese foreign minister, suggested it was time to create a similar broad European market. "The mistake to avoid could be the creation of 'culturally confused productions."
Last year, Mr John Birt, director general of the BBC, warned the European Union against attempting to create a "synthetic Euro-culture with a



European Commissioner for Culture Pinheiro: now is the time to redress the "serious imbalance" which exists in the film market.

French attack Clinton on aircraft sales

By David Buchan in Paris

Frencb aerospace leaders yesterday accused President Bill Clinton of intervening unfairly to sell \$6bn (£4.1bn) worth of US civil aircraft to Saudia Arabia, while announcing sharp falls in their own turnover and exports last year.

Mr Louis Gallois, president of Aérospatiale, the French partner in Europe's Airbus consortium, said the US government appeared to have entered into "real state-to-state negotiations" to secure the deal with Saudia, the Saudi Arabian carrier. This was unprecedented in civil, as distinct from military, contracts, be said, adding: "If this becomes a permanent American attitude, we must prepare ourselves in Europe for this type of trade."

in an interview Mr Gérard Longuet, France's trade and industry minister, said the US



Gallois (left) and Clinton: "unprecedented intervention"

be "linked to rescheduling of sault, president of Dassault fire".

Saudi Arabia's military deht". Aviation and of GIFAS, the referring to reports that French aerospace industry French aero-engine maker. Riyadh is to delay payment of association, said it was symp-\$60n of the \$30n it owes US tomatic of Washington's to reach any agreement with military jet makers over the involvement that, contrary to the US would leave the aircraft

civil aircraft sale appeared to next two years. Mr Serge Das-

traditional practice, the Saudia deal was announced by Mr Clinton himself, "the supplier rather than the client". Announcing that their collec-

tive turnover had fallen by 8.5 per cent and exports by 12.9 per cent last year, leaders of the French aerospace industry - Europe's largest - urged Europe to stand up to the US in the Gatt negotiations to control aircraft subsidies.

But, Mr Gallois said, while "Europe should continue to defend its system of direct subsidies or reimbursable advances [which Airbus receives], it is also worth reflecting whether and how we could adopt the US system of indirect aid, so that perhaps we could have two irons in the

warned, however, that failure

industry without any special treatment on subsidies. French aero-engine exports alone fell 26.6 per cent last year.

The level of new orders which determine future turnover and exports - fell last year by 20 per cent to FFresbn (£10.1bn) from FFr110bn in 1992. The contract to sell 60 Mirage 2000-5 jets and a large number of missiles to Taiwan was included in the 1992 order book, though deliveries will only begin in a couple of years. Waiting for such arms export orders to work through, the Freuch aerospace industry is

Tokyo to be held in midalso boping that the govern-Addressing a European car ment will unveil an ambitious industry forum organised by the Commission and the Euro-1995-2000 military procurement programme this year and that the civil aircraft sector will pean Parliament, Mr Bangemann gave his clear backing soon revive. But the interim is yesterday for a continuation of current controversial maker of Mirage jets, saw its "block exemption" for the turnover drop 20 per cent last motor industry, which allows year, though it claims to have improved profitability. carmakers to use a selective distribution system with exclusive dealers in breach of

Kazakh office for Wimpey

By Andrew Taylor, Construction Correspondent

Wimpey says it has become the first UK construction group to establish a permanent office in Kazakhstau, the oil-rich former Soviet republic. Because of its large mineral wealth, Kazakhstan offers some of the most attractive development and bneiness opportunities in the former Soviet bloc. The country is second only to Russia among the 15 ex-USSR republics in attracting foreign investment.

Wimpey has identified up to \$1bm (£685m) of construction and engineering work which it says the country is likely to let this year to international contractors, with next year's figare likely to be twice as big. By 1996, as it modernises and improves its infrastructure, the country could be

offering work worth np to

34bn a year to international construction companies. Investment by multinationals in Kazakhstan should provide a further impetus for construction work, says Wimpey. Mercedes Benz, Fiat, and Dae-woo have all established sales offices in the country. Philip Morris is investing \$300m for an 88 per cent share in a ciga-rette factory and some tobacco farms, and Grand Metropolitan, the UK drinks group, last month announced a joint ven-ture to market Smirnoff vodka

in the country.
Wimpey has established an office in the capital, Alma-Ata.
The country has substantial deposits of gas, gold, silver, lead, zinc and copper. After Russia It is the second biggest former Soviet oil producer, with an annual output of about 22m tonnes and reserves

NEWS IN BRIEF

EU and

close on

Tokyo

vehicle

import

numbers

By Kevin Done, Motor Industry Correspondent, in Brussels

The European Commission

and the Japanese government are close to agreeing a forecast for new vehicle sales in the European Union, which would

leave the level of Japanese

vehicle exports to the EU virtually unchanged from last

The Commission is optimis-

tic that last year's prolonged conflict over the level of Japanese vehicle exports to the EU can be avoided.

The latest round of talks.

which ended in Tokyo at the

weekend, had shown for the first time that little divided the forecasts of the two sides,

Mr Martin Bangemann, Euro-

pean industry commissioner

The BU expected new vehicle

demand in west Europe to

remain virtually unchanged at last year's very depressed

level, said Mr Bangemann,

while the Japanese Ministry

of International Trade and Industry, was forecasting modest growth of up to 3 per

The EU market for cars and

light commercial vehicles fell by 15.9 per cent to 11.739m

last year, the steepest decline

In its original estimates last

year Tokyo had refused to

accept gloomy European fore-casts of a steep fall in sales and was then forced to curtail

exports drastically last

autumn to bring shipments in line with the 1991 EU/Japan

accord on Japanese vehicle

Direct Japanese vebicle exports to the EU fell last year

by 18.4 per cent to 980,000 units. The Commission expects

a second round of talks with

European competition law.

The 10-year block exemption

is due to expire in mid-1995. and the Commission is still

divided over whether to accept

the motor industry's demand for the selective distribution

Mr Bangemann said that the

system played an important role in the monitoring of Japa-nese vehicle sales in the EU.

On no account should this be endangered," he said.

He also dismissed arguments

from European consumer

organisations that the system was responsible for high car

"I do not believe that getting

rid of the selective and exclu-

sive distribution system would

lead to more choice and lower

prices - but just the reverse,"

system to continue.

prices in the EU.

sales in the Union.

of the post-war period.

said yesterday.

Brazil engine deal for R-R

Rolls-Royce yesterday was selected to supply its heavy thrust Trent 300 engines to power three Boeing 777 wide-body twin engine airliners for Transbrasil, Paul Betts, Aerospace Corre-sponder, writes from London.

spondent, writes from London.

The UK company was competing for the Brazilian order against its two larger US rivals, General Electric and Pratt & Whitney.

The new Rolls-Royce-powered 777s, which are still subject to

The new Rolls-Royce-powered 777s, which are still subject to Brazilian government approval, are due to enter airline service in 1996-97 on routes between Brazil and the US.

Transbrasil's 777 order, worth about \$400m (£274m) for the aircraft and engines, is the first from a Latin American carrier it is also the first Latin American order for the Trant 300 engine. Sir Ralph Robins, Rolls-Royce chairman, said the deal would renew the UK aero-enginemaker's links with Transbrasil after about 20 years. The Brazilian carrier flew an all Rolls-Royce engined fleet in the early 1970s, operating Dart-powered Handley Page Heralds and Spey-powered BAC One-Elevens.

Indonesia contract loan

The US Export-Import Bank has announced an offer of a \$34.3m subsidised loan to a US company seeking a contract from Indon-ssia's state-owned dredging company, P.T. Rukindo, Nancy Dunne reports from Washington.

If the US wins the contract, it will be the first subsidised loan begun under the Clinton administration, which is formulating a more aggressive export finance strategy. The financing backs a bid by Ellicott Machine of Baltimore to sell dredging equipment. Mr Kenneth Brody, Eximbank chairman, yesterday said the bank was pushing support for small companies such as Elicott. It will match, in this case, the offer by a competing Norwegian company, whose hame Eximbank could not disclose, of long-term loans at low interest rates, in this way the bank hopes to convince other countries to limit or end subsidised lending

New light on sinkings

dry bulk carriers during the late-1980s and early-1990s, in a report* published recently, Charles Batchelor, Transport Corre-spendent, writes from London.

A total of 64 dry bulk carriers and ore/bulk/oil carriers (OBOs) were lost in the three years from 1991-1993, prompting concerns about the way dry bulk vessels, which typically carry iron ore or coal, were built and the advanced age of the fleet.

But many of the losses were of OBOs, which can carry either

dry bulk or oil as cargo, while navigational error was a more important reason for loss than structural or engineering prob-lems, according to a new study by intercargo, the international Association of Dry Cargo Shipowners.

OBOs are often much larger than dry bulk carriers and are subdivided into separate tanks for oil, which makes them more difficult to sink. But they are more vulnerable to explosions, difficult to maintain and more prone to corrosion. in 1992 the loss of nine OBOs disguised a sharp fall in dry bulk losses to 20 from

28 the previous year.

*Analysis of total loss and fatality statistics 1991-1993; Intercargo, 17 Bell Court House, 11-12 Blomfield Street, London EC2M 2AY;

Venezuela iron move

Sivensa, Venezuela'a largest publicly traded steelmaker, plans to invest approximately \$90m to raise production capacity of hot briquetted from at its Venprecar subsidiary in Guayana, the country's mining and heavy industry centre, Joseph Mann reports from Caracas.

Sivensa holds a majority of equity in Venprecar, which began

Trade barriers for Israel

Israel is about to introduce a new series of protectionist measures, giving preference to local suppliers over foreign suppliers competing for public sector contracts, David Horovitz writes

The new regulations, drawn up by a team headed by Mr Ilan Plato, Prime Minister Yitzhak Rabin'a economic adviser, require that local suppliers be awarded contracts even if their bids are up to 15 per cent higher than those of foreign competitors. Mr Rabin said: "It's about time the world got the idea that we're not

The new regulations require foreign companies fulfilling government contracts to pledge reciprocal purchases in Israel to at least 35 per cent of the value of their contracts.

Jamaican garments plea

Jamaica has asked the textile surveillance arm of the Multi-Fibre Arrangement to resolve a trade dispute with Canada over gar-ments shipped from the island to the US which then enter Canada, Canute James writes from Kingston.

Canada has limited the quantity of Jamaican assembled women's underwear which can enter that country after being shipped from the island under a trade treaty with the US, according to Jamaican officials.



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35bn harrels. Other potential contracts include substantial road refurbishment, upgrading the capital's subway system and mass transit systems generally. Wimpey is already thought to be close to winning contracts to build several hotels.



engin Gloom over or R. progress in **Ulster** talks

By David Owen, Philip Stephens and Michael Cassell

The British government has virtually given up hope of making further significant headway in forging a lasting political settlemeot in Northern ireland before the European elections in June.

This follows Monday's announcement by the Ulster Unionists, the province's largest political party, that it would not return to round-ta-ble talks with Dublin and other

constitutional parties.

Mr James Molyneaux, the UUP leader, urged the government to concentrate instead on setting up an internal Ulster assembly – a proposal likely to be vetoed by Mr John Hume's mainly Catholic Social Democratic and Labour party.

London's pessimism over the immediate prospects for furthar progress emerged last night as Mr John Major voiced his determination to press ahead with the search for a comprehensive settlement.

Mr Major'a reaffirmation of the so-called three-stranded approach came after President Bill Clinton carefully avoided questions on whether his dministration would again allow Mr Gerry Adams, the Sinn Féin leader, to visit the

However, speaking at the White House after talks with Mr Major, Mr Clinton again offered public support for last December's Anglo-Irish declaration as the framework for evantual peace in Northern Ireland. Senior British officials interpreted this as a clear signal that Mr Adams would in future be barred from the US unless and until Sinn Fein renounced IRA violence.

Ministers have interpreted the UUP's announcement as in effect the start of a threemonth period of political mancenvring in the run-up to the European elections.

The UUP is anxious to protect its flank against Rev Ian Paisley's hardline Democratic Unionist party, which is boy-cotting bilateral talks with London co-ordinated by Mr Michael Ancram, the Northern Ireland minister. The DUP usually tops the polls in the prov-ince's European elections.

Mr Major refused to accept that the UUP's disavowal of an Anglo-Irish dimension to a political settlement meant that the process was doomed.

Dublin will also expect its broadly based dialogue with

Britain on the political future of the province to continue. The Anglo-Irish Haison committee which exchanges ideas between London and Dublin on the shape of future political progress in Ulster has already held one meeting since Mr Major and Mr Albert Reynolds, Irish prime minister, agreed last month to put renewed emphasis on joint talks.

Expectations are still high that further moves towards a select committee for Northern Ireland will take place before

The decision to site the new plant in an area of the province which has already attracted significant foreign investment was announced yesterday by Mr Tim Smith, Northern Ireland

sented another success in the provstart operations in Europe

The Benefitx factory will be the first

people in Hong Kong, China and Indonesia and sells its products to customers such as Sony, Olympus and Philips. Mr Gary Chow, Benelux chairman, said the company had looked at other European sites and had chosen Ulster primarily because of the availability of

"easily trained people" and 24-hour continuous working practices. Financial incentives, he added, had also been an important factor. The province offered "an excellent bridgehead" for European

sector tendering

By Robert Rice and John Authors

The European Commission seems unlikely to relieve the British government's problems over compulsory competitive tendering in the public sector by narrowing the scope of the

on public

Acquired Rights directive.

The Transfer of Undertakiogs (Protection of Employment) regulations, known as Tupe, which enact the directive, bava been held by the courts to apply in some cases to contracting out of public

sector services. When Tupe applies, private contractors must take on the existing workforce on unchanged pay and conditions. This makes it difficult for private contractors to undercut public sector costs, as they usually achieve savings by

reducing the workforce.
The UK government has told paigning for the commission to narrow the scope of the directive so that it does not include public sector tender-

paper, leaked to the contractors' lobby group Clause 26, suggests Brussels has no intention of reducing its scope by excluding its application to

contracting ont.
It says: "The subcontracting of only an activity of an under taking . . does not in itself con-stitute a transfer of an undertaking within the meaning of the directive."

Ms Melanie Tether, a part-ner of City solicitors Norton Rose says the reference to subcontracting is merely designed to indicate that the contracting out of an activity will not necessarily involve the transfer of an undertaking.

The discussion paper makes it clear however that there will nevertheless be a transfer if criteria laid down by the European Court of Justice are

The discussion paper goes on to say the revision of the directive "should take account of the Court's case law" and 'complete its findings.'

HK company to build £36m plant in Ulster |Legal row

Three hundred jobs are to be created in Northern Ireland with the decision by Benelux, a Hong Kong-based company, to build a 236.6m plastics container factory at Limavady county Londondard.

Northern Ireland's Industrial Development Board, said the investment repreince's efforts to attract to the province Asian Pacific companies deciding to

In the last 14 months, two Korean

have announced they are to invest in Ulster. Carmen makes car stereos and Daesung manufactures printed circuit boards. In addition; Texmaco, an Indonesian-based man-made fabrics specialist, has also announced it is to set up a

in Europe for the company, which makes microcassettes, floppy discs and containers for andio and video cassettes. Benelux already employs 4,000

The best kind of business battleground

Michael Cassell on Belfast's expatriate executives

torn trouble-spot is outweighed

by its commercial advantages.

om Johnson, who three years ago moved his family from sleepy Shelbyville, Indiana, to the uncertain streets of Belfast, thought he was heading for "soma place like Beirut".

"My preconceptions turned out to be a million miles away from reality," insists the managing director of Ryohi Aluminium Casting, a Japanese-owned automotive castings He is one of the growing

number of expatriate businessmen sent to Northern Ireland to manage companies. He will shortly return to the US, where he will stoutly defend the reputation of a place he says is damaged by distorted reporting and often viewed through a prism of ignorance.

His company had been drawn to the province by the prospect of lucrative contracts to supply Ford of Germany and hy a range of incentives as attractive as any in Europe. Yesterday's announcement by Benelux adds another name to the register of companies

who have already decided that Ulster's reputation as a war-

particularly in and around Londonderry - bot many remain wary about putting Estimates suggest that about 55,000 Ulster people are directly employed by overseas money into what they see as a companies. In the past year alone inward investors have created more than 1,600 jobs and, since last summer, foreign companies have announced new investments worth well over £100m.

More are in the pipeline. A Taiwanese floppy-disk manufacturer is poised to invest film in a new west Belfast factory while a Taiwanese textile group wants to build a £16mm plant which will involve the biggest inward investment in the UK for five years. The UK is seeking Brussels approval for the deal, which could mean employment for 2,000 people. The jobs are badly needed in a part of the UK with higher-

outnumber those in work. When Ryobi advertised for its first nine akiliad operators, more than 150 qualified people Some US companies are

than-average unemployment

and ghettos where the jobless

high-risk commercial climate.
The present pace is being set by Far East companies, which do not appear to be so easily troubled by the province's international image. For Ryobi, the province beat several other European locaity of highly skilled workers and a range of grants which totalled about 25 per cent of start-up costs. The highly auto-mated plant in Carricklergus

employs 44 people and, given an improvement in the Euro-pean automotive market, could eventually give work to 250. Ryohi, like other foreign investors, has not been touched by the Troubles and stays out of politics. As for Mr prepares to leave: "I would not dare suggest I know tha answer and won't preach pessimism or optimism. I am sure it will take some while to sort out but there are so many good people here, one day it must be solved."



Tom Johnson's Ryohi plant near Belfast could eventually

Cabinet Office report criticises civil service reforms

Public Policy Editor

Mr William Waldegrave, Britain's public services minister, was yesterday required to dig deep into the lexicon of Whitehall-speak as he published a critical report on the government's civil service reforms. The report, commissioned by Mr

agencies to deliver government ser-vices has led to fragmentation of the civil service. And it accuses Whitehall departments of interfering excessively in the day-to-day management of agencies.

Mr Waldegrave described the report as "useful and challenging" code among the mandarins for "embarrassing and very inconve-Waldegrave, says the creation of nient".

The author of the report was Ms Sylvie Trosa, a senior French civil servant seconded to the Cabinet Office to evaluate the reforms. Previously, Ms Trosa worked in the French government's office responsi-ble for public service reform.

This Gallic critic found much that

was unsatisfactory about the Anglo-Saxon style of administrative

She appears to have endorsed the central policy in the reforms, the creation of more than 80 executive agencies to deliver services such as tha payment of benefits and vehicle licensing. "No one argued for a step. backwards," she found.

But she found continuing confusion in tha relationship between agencies and their parent departments. Agency chiefs continue to

complain of interference by civil ser- between agencies and departments vants in Whitehall.

There is a whole bureaucracy set up to monitor us," one agency chief executive told Ms Trosa. Civil servants in central depart-

ments are also critical of the agencles, she found. They see the agencles as increasingly drifting away from them in values and culture. Attempts to ensure that staff move are "minimal", according to Ms

Ministers need to do much more to encourage cohesion in the civil service, she added.

The report is based on extensive interviews with senior civil servants including the chief executives of 26 agencies, half of whom came from outside the civil service.



Can you paint a car with 90% a better finish?

Automobiles have an eoviroomeotal effect loog before they take to the road. Solvents used in spraying oo a high water and still get quality durable paint figish can contamigate the air.

That's why the engineers of a renowned worldwide car

maker iosist oo enviroomentally-friendly paiots, which reduce solvent conteot significantly. But they waoted a safer, more efficient application system, too. ABB Paint Finishing designed and installed manual and robot spray booths with advanced veotilation control. Recirculating air is continually scrubbed cleao of paint residue, which is extracted for recycling. This complex environmental control system has reduced solvent emissions by about 1.4 kilograms per car, without compromisiog paint fioish quality.

ABB also serves the automotive industry with robotic systems, drives, Quintus fluid cell presses and test rigs. As a leader in electrical engioceriog for industry and transportation, and in the generation, transmission and distribution of power, ABB is committed to industrial and ecological efficiency worldwide. We transfer know-how across borders with ease. But in each country, ABB local operations are decentralized and flexible. That means we can respond swiftly and surely to environmental challenges which stretch the limits of the possible - like getting a better paint finish while using less

solveot - in close partnership with our customers.

UK car production reaches 20-year peak

British car production reached its highest level since 1974 last year, with Rover overtaking Ford as the UK's largest carmaker for the first time in more than a decade.

Rover Group, whose sale to BMW of Germany is expected to be approved by British Aerospace shareholders on March 15, emerged as the higgest producer even when output of Ford 's Transit van and other commercial vehicle operation s are included. Only when production of Jaguar, bought hy Ford in the late 1980s, is taken into

Britain's inflation rate.

Seeking to dispel any impres-

sion among American husi-

nessmen that the economic

recovery might be in doubt, be

said that the end of the reces-

sion had left Britain in a much

Manufacturing productivity

was rising by over 5% a year,

labour costs had fallen and the

employment market was

strengthening. Britan was

again expecting the fastest

growth rate among the main European countries in 1994.

been a fundamental change In

working practices which had

given Britain its lowest under-

lying inflation rate for a gener-

ation: "the inflation psycho-

logy is - at last - in retreat.

And I inteod to keep it that

was creating its own dynamic

for investment and growth.

Mr Major said that there had

stronger competitive position.

Major upbeat

on prospects

overtake Rover - and then by only around 2,000 units.

Figures from the Society of Motor Manufacturers and Traders show that the UK's total car output last year reached 1.38m, nearly 7 per cent higher than in 1992 and the highest since the 1.53m units reached in 1974. As the figures emerged, Ford announced that short-time working has ended at its Transit van manufa turing plant at Southampton, and that output of Escorts from its Halewood plant on Merseyside is being increased as e result of continuing

recovery in the UK vehicle market. to 426,744. This lifted it well clear of Rover's output of cars last year the 398,858 cars and vans produced by totalled 406,804, compared with Ford's

This year Ford should once more start closing the gap on Rover, whose output of cars and leisure/utility fourwheel-drive vehicles - classed as cars in the SMMT statistics - rose 7.39 per cent last year to 406,804 from 378,797

Although Rover's production of vehicles classified as light commercial is confined to some Land Rover models and s few Maestro vans, the 19,940 it produced last year lifted its output

Ford itself, although Jaguar output added another 29,587 units to Ford's

While Rover has led Ford in actual car output for some time, until last year Ford's traditionally high output of commercial vehicles in the UK has kept it ahead of Rover.

Thus in 1992 Ford's own 302,145 car ootput trailed well behind Rover's 378,797. But the 151,316 Transits and other vans it produced took its total output, even excluding Jaguar, to

worst year for production since 1948 and Ford's van output plunged by

Total car output last year continued on its rising trend, up 6.47 per cent to 1,375,524 units, the highest since 1974 in spite of lower output at Vauxhall

nearly 25,000 units to 127,065.

The main factor in the increase, apart from Rover, was higher output from Nissan's Sunderland plant and production at the Toyota and Honda plants. The three producers made nearly 310,000 cars last year.

emerged from recession in the

early 1980s. Average earnings grew et only 3 per cent in the year to December.

· Commodities. The resur-

gence of enthusiasm for gold is cited hy some, including the

US Federal Reserve, as an indi-

cator of inflationary expecta-

tions. But the price of oli remains subdued et around

\$13.50 a barrel. It is hard to see

much inflationary pressure

from this area.

• World conditions. Inflation

is subdued in most of the

leveloped world. Even in the

US, where the Federal Reserve

has begun to raise rates, the

annual rate is little higher

than that in the UK. The

effects of the devaluation of

sterling in September 1992

seem to have worked through

The immediate future for the

beadline rate of infletion is

quite promising. The months

about to drop out of the annual

comparison - February and March 1993 - saw the RPI rise

by 0.7 and 0.4 per cent respec-

chancellor have a mixed pic-

ture to discuss. The balance of

inflationary indicators is prob-

ably positive but the reaction

to last month's base rate cut

might persuade them that cau-

In its February report, the

Bank cited "inflationary expec-

tations" as a crucial factor in

future price movements; so the

authorities may not want to

tion is needed.

So the Governor and the

the system.



Tories stand by attorney general Lyell

Mr Michael Heseltine's evidence to the Scott Inquiry came under fire from Conservative MPs last night as Sir Nicholas Lyell fought growing pressure on him to quit as attorney-general.

Tory backbenchers said Mr

Heseltine, trade and industry secretary, had "gone over the top" in accusing Sir Nicholas of giving contradictory advice about his duty to sign public interest immunity certificates. But there was also widespread support for Mr

seltine's disclosure that he resisted pressure to sign certif-leates because of fears that vital evidence in the Matrix Churchill exports-to-Iraq trial would be suppressed.

Mrs Margaret Beckett, Lahour's deputy leader, demanded Sir Nicholas's resignation during rowdy Com-mons exchanges, but Mr Tony Newton, the leader of the Com-mons, said Mr Heseltine had been advised "quite properly" by the attorney general.

Downing Street also offered strong support to Sir Nicholas.

A senior official said he had the "full confidence" of the

But friends of Sir Nicholas said he was convinced be would be cleared by Lord Justice Scott, and was determined to resist resignation unless he is strongly criticised in the judge's final report,

Minister scorns claims over aid

Allegations that Britain's overseas aid programme was linked to arms deals with several countries were dismissed as absolute nonsense" by Mr Alastair Goodlad, foreign office minister of state, last night. He told the House of Com-

mons that the foreign affairs select committee should be left todeal with claims that a contract to sell £1bn of arms to Malaysia was won because the

UK gave £234m aid for building the Pergau hydro-electric dam. Mr Douglas Hurd, foreign secretary, is due to give evi-dence to the committee later today.

Mr Goodlad also condemned suggestions that British companies who contributed to Conservative party funds had been the main beneficiaries of contracts arising from overseas aid and trade deals.

Cable deal for cricket contest

A consortium of cable television operators have acquired exclusive UK hroadcasting rights to the 1996 Cricket World Cup. The 37 matches in India, Pakistan and Sri Lanka will be relayed to the UK by satellite. The deal is e sign that the UK cable operators are hecoming confident enough to enter the market for major exclusive sports rights for the first time.

Jump in UK receiverships

The number of UK companies entering receivership or administration jumped by more than 50 per cent to 248 last month, according to figures from the official London and Edinburgh Gazettes analysed hy accountants Touche

The total for the first two months of the year was 411, compared with 772 for the same period last year.

Big increase in moviegoing

The success of films such as Jurassic Park belped to encourage dramatic increases eccording to the 11th annual survey of the industry. The research for the Cinema

Advertising Association (Caviar), found that 69 per cent of those aged over 7 said they visited the cinema, the highest proportion in recent history and an increase of 4m on 1992. The number of people visiting the cinema regularly, defined as once a month or more, Increased from 11 per cent of the population to 14 per cent, accounting for a total of 7.139m visits last year, a rise of 28 per cent compared

Old ghost returns to haunt Clarke

Philip Coggan on responses to the spectre of a resurgence in inflation

for recovery But the government was deter-Mr John Major last night tive edge. Emphasising that education remains at the top of sought to talk up the prospects for sustained economic recovery and pledged to hold down

Speaking to businessmen at quality, the ability, the skills of the British-American Chamhers of Commerce in New York, Mr Major said that the government had set in place solid foundations for sustained growth throughout the

> ment to free and open trade, Mr Major said that the industrialised nations could not insulate old industries and old bablts from global competition. And in a sideswipe against the Japanese, be sald that Britain and America should work together to open up Japan's markets to European and US

Britain's public sector pay

He added that low inflation

sharpening Britain's competihis domestic political agenda, the prime minister said that longterm competitiveness would depend "above all on the

Borrowing some of the recent political rhetoric of the Labour party, he went on: "What we are working for is nothing less than the reskilling of Britain for the 21st century. Stressing Britain's commit-

competition.

bill rose more than 10 per cent in 1992-1993, according to the newly published statistical supplement to the Budget. helping to explain the current squeeze oo public pay. The supplement shows that

public sector pay rose from £68.8bn In 1991-1992 to £76.2bn in 1992-1993, meaning an average pay rise of 7 per cent (after accounting for inflation) in the middle of a recession.

lem of Inflation will once again face Mr Kenneth Clarke, chancellor of the exchequer snd Mr Eddie George, governor of the Bank of England, when they hold their monthly monetary meet-When they met last month. they agreed a quarter of s percentage point cut in base rates, timed to coincide with the pub-

he age-old British prob-

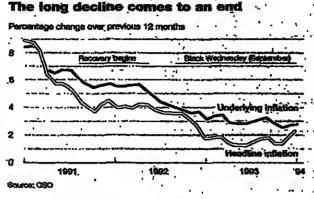
licetion of the Bank of England's quarterly inflation report. But when that report forecast that underlying inflation would end 1995 at over 3 per cent, in the top half of the government's 1-4 per cent target range, and warned of an "asymmetric" risk that inflation might be even higher than that, analysts started to ques-

tion the suthorities' anti-infla-

ing today.

tionary credibility. Since then, falls in bond markets round the world have indicated that investors are concerned about the resurgence of inflation. But analysts are sharply divided on the prospects for price rises, with some arguing that growth is too weak to prompt inflation, especially with the impact of April's tax rises yet to be felt.

The headline rate of inflation, the annual rise in the retail prices index, rose sharply in January to 2.5 per cent, from 1.9 per cent in December, But this was a statistical quirk. When calculating an annual rate, the monthly increase that drops out of the annual comparison is as important as the new fig-



ure which enters lt. In this case, January 1993, when a round of mortgage cuts caused the RPI to drop by 0.9 per cent,

fell out. So even though the RPI fell 0.4 per cent in January 1994, the net effect was s rise in the annual rate. But the index has actually fallen in three of the past four months and is only 0.1 per cent higher than Its level in May 1993. Furthermore, this overall figure disguises remarkable price falls in some sectors, such as clothing and household goods.

The underlying rate of inflation, excluding mortgage movements, rose only slightly from 2.7 per cent in December to 2.8 per cent in January, mainly due to the effect of the Budget on excise duties. It now looks set to stay much closer to the headline rate, because of the disappearance of the effects of the large mortgage rate cuts after Black Wednesday. However, the Bank of England is not looking at the past hut trying to monitor price pressures two years ahead. Which factors will determine future inflation depends, in part, on which economic school one believes. But the main indicators are:

 Money supply. M0 (mainly notes and coins) has been growing well outside its 0-4 per cent monitoring range but the government points to low Interest rates, which reduce the cost of holding cash, as the main reason. Growth in M4 (broad money) is still at the low end of its 3-9 per cent monltoring range. Producer prices. Manufac-

turers' costs are still falling. Input prices dropped 2.5 per cent in the 12 months to February, but output prices rose 3.7 per cent over the same period, showing that manufacturers have been widening margins. · Wage rises. The rate of growth in wages is much slower than when Britain-last

JAB 10

risk being characterised as being soft on inflation by cut-

FINANCIAL TIMES CONFERENCES

Asian **Capital Markets**

London, 28 & 29 April 1994

The rapid growth of Asia's economies has caught the attention of investors worldwide. This in turn is creating a demand for deeper knowledge about individual markets, the economic and political factors driving their growth, as well as the practical ways the markets can be accessed and managed.

This two-day meeting will bring together a distinguished panel of speakers to assess the crucial issues relating to capital market investments in the region.

Speakers include:

Mr Satish Jha

Asian Development Bank

Mr Francis Leung

Peregrine Investments **Holdings Limited**

Dr Mark Mobius

Templeton Investment Management (Hong Kong) Ltd

Mr Shijuro Ogata

Yamaichi Securities Co Ltd

Dr Arnab Banerji

Foreign and Colonial Emerging Markets Limited

Mr Edward Kim

Korea Development Securities Co, Ltd

Mr Meocre Li

Arthur Andersen & Co

Mr Robert Lloyd George

Lloyd George Management (Hong Kong) Limited

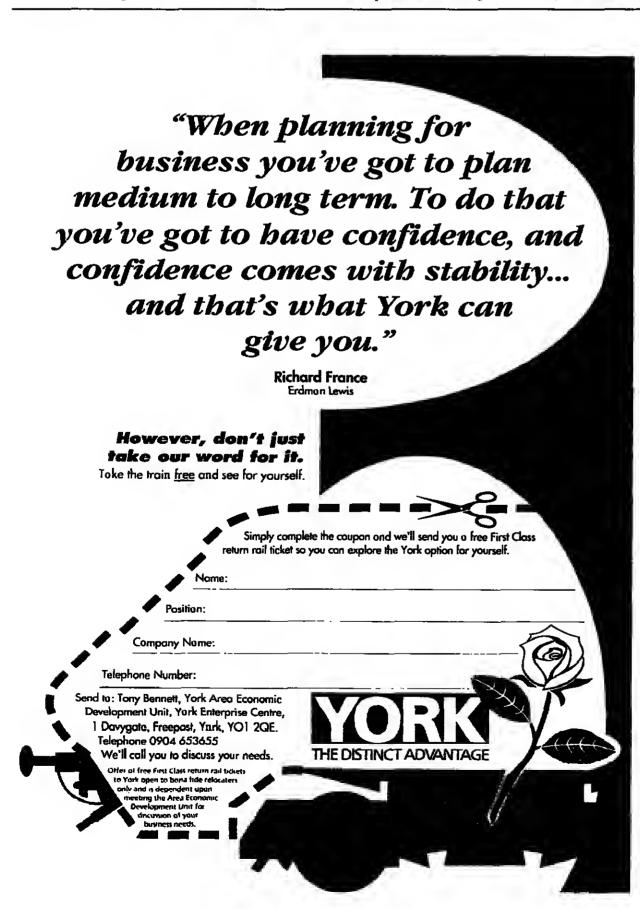
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CAN EUROPE COMPE

Ideas people at back of the field

technological advantage between the world's main industrialised countries. It takes only a few statistics to show how far Japan and the US have pulled ahead and bow rapidly they are increasing their lead. While high technology prod-

Former in Li

1 witter

ucts account for nearly a third of US exports and more than a quarter of Japan'a, they make up less than a fifth of those from western Europe. Figures from the European Patent Office show that Europe is fall-ing behind the US and Japan in registering new inventions.

Mr Paul Braendli, the EPO'a president, finds it alarming that initial patent filings in Europe have not increased at all since 1987, while those in the US have risen by 30 per cent and in Japan by 8 per

"That is already a good indication that in Europe we are lazy in innovating or do not exploit our innovations," Mr Braendli says. "Something must be wrong."

Yet comparing national strengths in science and technology is a hazardous exercise, bedevilled by incompatible definitions. In principla, the inputs - resources devoted to research and development are simple to assess. It is far harder to measure the quantity and quality of different coun-

tries' scientific output, Input data from the OECD in Paris show that Europe fell behind the US and Japan in overall R&D spending during the 1980s. The European performance was held back particularly by the UK - the only industrialised country that devoted a smaller proportion of gross domestic product to R&D in 1991 than in 1981 - and Germany, where there was only a marginal increase. France and Italy pushed up spending more

rapidly, from a lower base. In 1991, the 12 EU countries devoted 1.96 per cent of GDP to R&D, compared with 2.74 per cent in the US and 2.87 per cent in Japan. Only Germany (2.66 per cent) came close to the American and Japanese

Stripping out the high levels of military R&D in the US and some European countries, Japan takes a clear global lead. It spends 2.8 per cent of GDP on civil science and technology, compared with 2.1 per cent in the US and 1.8 per cent

There are many possible ways of assessing the output of ing the Japanese dominance of

urope is being left behind in the race for scientific and Andrews Eicher average Andrew Fisher explain how Europe is failing in the race to innovate

> R&D. Its industrial impact can be measured indirectly by the export/import ratios of sciencebased industries. These show Europe's weakness in computers and office machinery, with a ratio falling from 0.54 in 1985 to 0.39 in 1990 (compared to 3.96 for Japan and 0.95 for the US) - and its strength in pharmaceuticals, where the ratio in 1990 was 1.78 (compared to 0.32 for Japan and 1.65 for the US). But success in manufactur-

ing industrias depends on many factors besides R&D, such as management and sales skills and quality control. A more direct technique for assessing strength in science and technology is to measure the quantity and quality of patents and scientific papers produced by a company or country.

Europe's total share of US patents - seen as the most reliable measure of competitive strength - bas declined since 1980, due to a dramatic expansion by Japan and more recently by the newly industrialised Asian countries. But again, the decline is far from "The figures clearly show European countries going down the tubes in electronics but continuing to hold their own in areas where they have traditionally been strong. such as drugs, medicines and biotechnology," says Dr Francis Narin, president of CHI Research, a consultancy based in New Jersey, which tracks patents issued in the US.

n drugs and medicines, the combined share of US patents held by Germany, France and the UK slipped from 22.7 per cent in 1982 to 18.1 per cent in 1992. In electrical equipment, the corresponding European share fell from 16 per cent in 1982 to 10.1 per cent in 1992.

However, there are bright spots in Europe's science-based industries - even in electronics. Siemens of Germany, the largest European electronics group, is investing DM2.4bn (£900m) in Dresden, eastern Germany, to develop and make powerful memory chips for the telecommunications and vehicle markets. And Philips, the second largest, is challeng-

liquid crystal displays for por-

(£70m) plant next to its R&D centre in the Netherlands. In Sweden, Ericsson is investing 22 per cent of its turnover on developing tions products. It decided boldly in 1991 to spend 15 times as much on R&D as on dividends, although soma inves-tors were horrified. Now Ericsson has 60 per cent of the world market for digital mobile phone systems and more than a third of its total orders are for products that did not exist

table computers, with a Fl200m

But on the whole Europeans are less willing to take risks with R&D than Americans both at the corporate level and at the level of the individual researcher. The Japanese may be conformists as individuals but they move boldly as com-panies, as Sony showed when it created the Walkman mar-

Reluctance to take risks is one of many factors - social, cultural, political, educational and financial - blamed for Europe's failure to translate basic research more effectively into faster economic growth. Although there is no consensus about the relative importance of these reasons, few doubt that Europe's continuing fragmentation is an important handicap in the race with the relatively homogeneous US and Japan.

In general, therefore, Europe's strongest suit is pure science. The further away a field lies from potential commercial application, the more likely it is that Europe will be ahead. The latest example is high-energy physics: Cern, the particle physics laboratory near Geneva on which 19 European countries spend £400m a year, will have an undisputed world lead for at least a generation, following last year's can-cellation of the US SuperCon-

ducting Supercollider (SCS). The next discoveries about the fundamental forces and particles that hold the Universe together are likely to be made in Europe - which may provide some intellectual consolation to Europeans if the coming decades bring eco-

highways.

The problem is that Europe is not putting this high on the political agenda. There bave been some good individual projects here but very few

focused efforts."

Burope has had success with focused efforts at high-techcollaboration in the past. One is

from computing to the lifa sci-But as Dr Poste sees it, "the challenge is to move from a culturally fragmented community to a union that can harness its enormous scientific

It is still bedevilled by the

The great research divide

Lagging in R&D By Clive Cookson

and Andrew Fisher

widens

George Poate, SmithKline Beecham, the Anglo-American pharmaceutical group, and Prof Jürgen Drews, his counterpart at Roche of Switzerland, divide their time almost equally between the US and Europe reflecting their companies' 50:50 split of R&D facilities on either aide of the Atlantic.

The most important factor in determining where sciencebased companies invest in research is the availability of R&D personnel, Dr Poste says.
"I don't think Europe has the same long-term potential as a source of skilled personnel as the US."

Both find the scientific infra-

structure more bospitable in

the US.

Although European universities are widely praised for the quality of their basic research, many industrial scientists say they lag behind their American counterparts in providing e useful service to industry, either as a source of well educated graduates or as a partner in collaborative research projects.

All industrial research managers agree that a fundamen-tal handicap for Europe is its political, cultural and economic fragmentation.

That makes it harder to mobilise technical resources for large-scala strategic pro-

Dr Frank Carruhba, an American who moved from California to the Netherlands in 1991 to become chief technical officer of Philips, says an important example is the Clinton administration's ambitious programme to stimulate the construction of "information saperhighways" - communica-tions networks that will eventually enable every home and business to receive a wide variety of multimedie electronic services. "The US is already ahead by 21/2 years, if not more, in many areas of multimedia and the information society.

Dr Carrubba says Europeans need to appreciate the extent to which the Clinton programme has galvanised the US electronics and information industries into action, There's an incredible political

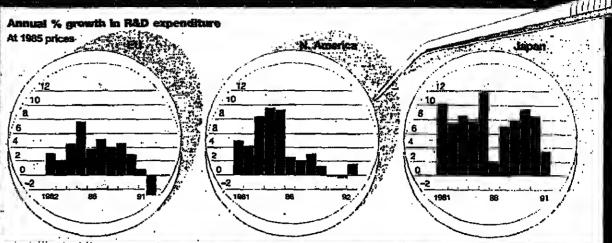
drive behind it, with [Vice-President] Al Gore going from school to school, town meeting to town meeting, taking about information super-

the European Space Agency whose efforts to develop a reliable satellite launcher have led to a commercial operation in the form of Arianespace. with more than half of tha world market. Arguably, Airbus is another in the aerospace field. Research collaboration on a broader front has been gathering pace through the RU Framework programmes. The Fourth Framework Programme will direct 12bn ecu (£9bn) at a wide range of projects over the next five years,

need to make sure that everything is spread equally across the community, rather than being directed to where it

Technology & innovation

R&D spending grows more slowly in Europe than in US or Japan..

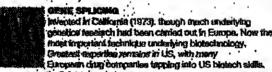


...and patent activity stagnates compared to the rest of the world...

Die world's t 1992	op 20 R&D	sponders			World	wide pate	ent filings			
Саттрелу	Country of origin	Sector	Expenditure (£bri)	As % of sales	350,000	Europe	Others	us us	Japan	
General Motors	US	Automotive	3.91	4.47	000,000	n				
elmler-Benz	Germany	Automotive	3.80	9.45			_	-	*:	
lamens	Germany	Electricate	3.42	10.68	300,000		 -			 .
3M	US	Computing	3.38	7.38		7.		19	:	•
ord	US	Automotive	2.86	4.33	250,000		·			
itachi	Japan	Electricals	2.75	6.69		1		•	. 7	
oyota Motor	Japan	Automotive	2.37	4,40			4.		31	
letaushita Electric	Japan	Electricals	2.21	5.61	200,008		:-	: :		
ujitsu	Japan	Computing	2.07	11,39		8		1	• •	
T&T	US	Telecoms	1.92	4.78	150,000					•
ostilbe	Jepen	Electricals	1.68	6.74	150,000	12				
EC	Japan	Electricals	1.60	8.78		7.		:.		-
BB	Swigs/Swedish	Electricals	1.58	6.06	100,000					
lippon Telegraph	Japan .	Telecome	1.52	4.48						.
hilips	Netherlands	Electricals	1.33	6.25		100				
ony	Japan	Electricals	1. 2 7	6.30	50,000	-1000				
lesen Motor	Japan	Automotive	1.27	3.74		嬔	(X)	96		
Byer	Germany	Chemicals	1.26	7.52	0	1000			AD 100	
W.	Germany ."	Automotive	1.22	3.51		1967	88	89	80 98	1
lotting	US :	· Aerospece	1.22	6.12	N.B. Jan	Den files more pe	dents they other o	ourtries to prote	ct all expects of in	novats

...but Europe has not given up on the key technologies of the future

Technologies to watch



Cleanance presonance measure design 1970s. Medical equipment compens in Europe Japan and the US now manufacturing MPI body scanners. Tachnology advancing rapidly; new manufacturing and the Compenses. idepan and the US now manufacturing MRI body scanners. Technology advancing rapidly; new muchines will show not lonly impiges but also biochemical reactions inside the body.



Invertied and developed largely in US cluring 1970s. American companies lead in PC hardware and software But Japan and other Asian countries making useful contributions, especially to the booming area of portable computers, Europeans niche players at best.

MERCHAL METWORKS

Main development work done in US during 1980s. So far meural networks used mostly for military purposes and research but becoming more violespreed in financial and industrial sectors for pattern recognition and forecasting.

Though leaders are US & Japanese, Europe is catching up.



ENICATIONS SATELLITIES Spirt-off from US and Soviet space exploration and defence programmes starting in 1950s. Inclustry is divided between Japan (dominant in ground equipment). US (saleitta construction) and Europe (launching).

Wisdom in hills above Nice

alf-buried on the hills outside Nice in the south of France sits a unique cluster of high-technology companies and research

Off-dnty scientists jog by low-slung buildings, housing pharmaceutical laboratories and computer centres that handle world-wide transactions for clients like Citibank or Air France. This is Sophia Antipolis, set up at the end of the 1960s to bring top-class brain-power to a landscape of Mediterranean pines and solar-pow-

ered street lights. The science park, named after the Greek word for "wisdom" and the historical name for nearby Antibes, has grown into a small town. It provides jobs for 16,000 peopla of 40 nationalities, as well as places for 2,000 students at an extension of Nice university.

Sophia Antipolis - about to celebrate its 25th anniversary this summer - has come of age. However, it is still struggling to make an impact in overcoming the main problem faced by European science: leaping the burdles between the laboratory and the market-

Mr Philippe Boulanger, the youthful managing director of a five-year-old telecommunica-

CASE STUDY: Sophia Antipolis, science park

On France's sun-filled Mediterranean coast, scientists strive to commercialise laboratory ideas. Not everyone, however, can find the winning formula

David Marsh reports

tions concern, Access Privilege, illustrates one way the ohstacles can be overcome. After receiving a doctorate at Nice university, he established his company with three part-ners in a small office complex offering stunning views of the

His company has just been bought by the Sagem telephones group, in a deal that will make him a millionaire. Mr Boulanger says his success has been based on specialising in a field (in his case, networks using Apple computers) where there was effectively no competition. He admits, bowever, he knows only one other person in France who has had a similar breakthrough.

Another success story is FDM Pharma, based bere since 1981. This 200-strong company, tional downturn in the com-

which has hitherto doubled turnover every year, uses sophisticated computer technology to record hospital drugs tests for US and European pharmaceutical companies. Mr Benoit Bouche, the 33-year-old chairman, says he brought the

company to the science park

after a top US scientist be wanted to hire refused to move to its original headquarters in Lille in northern France. The official tally of corporations - totalling 980 - high-

lights the site's attractiveness. Those present range from large concerns like Thomson, Digital Equipment, AT&T and Wellcome to many small businesses employing less than 10 people. Companies in the computer field have, however, been facing difficulties. The interna-

puter industry has led to 400 job losses at Digital (oow down to 600 staff) and similar cuts at nearby research establishments of IBM and Texas Instruments.

Mr Pierre Bernhard, director of the Sophia Antipolis branch of the public sector computer research institute Inria, saya the site's magnetic qualities affects even those who have lost their jobs. Many computer engineers who have recently been made redundant bave stayed on to start new busi-

Sophia Antipolis places a lot of hope on companies in the health care sector. Mr Jacques Le Guillerm, managing direc-tor of the local offshoot of Cordis, the US medical group, says the science park has been saved by its multi-disciplinary atructure. "If we had simply bad information technology here, it would have been cata-strophic. Cordis research and production staff here has grown from 150 to 200 during the last 18 months.

Mr Le Guillerm praises exchanges between pharmacological engineers and informa-tion technologists at Sophia Antipolis. "Synergy is now starting to take off." A long journey, however, still lies

A much quieter beat to the bio rhythm

Biotechnology

By Clive Cookson

ompared to the entrepreneurial and scientific ferment of the US biotechnology industry, the European scene seems sedate.

Europe has nothing to match America's estimated 1,300 biotech businesses - 240 of them public companies - nor the volume of hype about their

ated by a public relations within their operations." Euromachine keen to keep investors happy. But the buge gap visible between the activity in the US and Europe does not reflect such a big difference in real achievements.

"Don't be misled by the sight of a thousand biotech flowers blooming in the US," says Mr Brian Ager, director of Senior Advisory Group Biotechnology, a European industry body. "We don't have a full-scala industry but we have large European research achievements, gener- companies using blotechnology

pean pharmaceutical and chemical groups are plugging into US biotechnology through a network of R&D alliances with independent American biotech companies. Roche of Switzerland led the way with its \$2.1bm purchase of a majority stake in Genentech in 1990; the Swiss group also has minority stakes in Chiron and Protein Design Labs and collaborative agreements with

Amgen, Synergen and Hybri-

the UK is working with half a dozen US biotech companies. *Most large European companies have embraced biotech-

nology, though it took years to convince some of them that biotech was not a fad," says Prof Jürgen Drews, Roche's head of international R&D. The weakness of European

biotech, as Prof Drews sees it, is "that somehow the translation of the science into entrepreneurial activity doesn't work well. This has something don, among others. Glaxo of to do with the legislation that

has stigmatised biotechnology in some European countries. Dr Peter Doyle, research director of Zeneca, the UK bioscience company, says biotech is the area of science in which Europe has been handicapped by over-regulation. But he and other leaders of the European biotech industry are expressing more confidence that the political tide is turning.

This is the fifth part of a 10-part series. Tomorrow:

Prospects lie in IT's rapid rate of change

Electronics By Alan Cane

urope's contribution to the evolution of informa-tion technology in the two decades following the invention of the microprocessor has been strong in telecom-

munications but weak in microelectronics and comput-One measure is commercial success. Of the world'a 12 leading telecoms equipment companies in 1991, seven were European Compare this with Europe's overall position in information technology: only 12 of the world's top 100 IT companies in 1992 were European-owned, according to Datamotion magazine. Europe's top three, Siemens-Nixdorf, Oli-

vetti and Groupe Bull, continue to lose money heavily. Europe's strength in telecoms is chiefly a consequence of protected markets. Most European telecoms authorities and their suppliers continue to enjoy the protection of regulated and monopolistic regimes. The European electronics and computer companies bave never bad similar protection but their relative failure involves complax factors including recession, inadequate finance and insular markets which do not encourage economies of scale.

न्त्र हरण्य

Europe's weakness also has much to do with its consistent failure to contribute technically to the IT revolution.

It seems continually to be catching up rather than leading. Meanwhile, the US is programme. Has the money window for ARM.

ploughing ahead with plans for a national information highway, for axample, while Europe is still debating the

There is an exception. France invented, developed and championed the "smart" or computer card. It has now been adopted all over the world for applications ranging from an electronic key to an electronic wallet.

The world market for microprocessors, nevertheless, is owned by the US companies Intel and Motorola. Packaged software, both systems and applications, is dominated by US suppliers such as Microsoft and Lotus. The design of large computer systems has been increasingly relinquished to the US and Japan.

How serious is the situation for Europe? Mr Pasquale Pistorio, chief executive of SGS-Thomson Microelectronics, puts it bluntly: "No advanced industrial society can exist without controlled access to an advanced electronics industry. which in turn cannot exist without controlled access to an advanced semiconductor industry." This sort of thinking has generated a raft of attempts to turn the tide, chiefly in the form of EU research programmes encouraging pan-European collaboration in "precompetitive" research. Last year EU ministers decided that information technology should have the lions' share (28.2 per cent or about £3bn) of the budget for the Framawork

Research programme extending from 1994-98. It will be the fourth such to smaller devices, opening a

been well spent? There have heen some successes. EU funds, for example, went into the development of the ARM microprocessor, a small, fast chip designed for high-volume production and well suited to tiny computers and games

> adopted by Apple for its Newton pocket computer. On the other hand ES2 once hailed as the greatest success of the Eureka programme, a Europe-wide initiative supporting market-oriented research - has failed to live up to the highest expectations.
>
> The ES2 story is instructive.

The company, based in France and owned by a consortium of European industrial groups, was founded to exploit what was thought to be a large emerging market for chips which could be quickly cus-tomised by electron beam for specific applications. At first it looked likely to fulfil its promiae, then the technology changed and chips which could be tailored more cheaply gained a hold on the market.

ES2 remains profitable but it has not been a success on the scale envisaged. The analysts got their forecasts wrong." says Mr Robin Saxby, formerly at ES2 and now chief executiva of chip-maker ARM.

Europe's best hope for the future seems to lie in the phenomenon which damaged ES2's prospects - the dramatic rate of change in the IT industries. No European chip maker could hope to capture a share of the personal computer microprocessor market, but the trend is

Score card for the suppliers

You do not need to be a "total quality management" fanatic to recognise that most companies would benefit considerably from making regular and detailed assessments of the performance of their suppliers. Marks and Spencer, the UK retailer, has done so for decades. Yet, except in retailing, "vendor appraisal" – the American term for the approach – still seems stuck on the starting block.

US computer company Sun
Microsystems, a relatively recent
convert, says that its experiences
with the practice bear out two
claims made for it: that it raises
suppliers' performance, and that
they in turn benefit from, and
appreciate receiving, performance

tracking.

Supplier effectiveness is crucial to the survival of the \$4bn (£2.7bn) company, explains Mel Friedman, vice-president of corporate supplier management. Sun has used its expertise with the "Sparc" chip behind its range of high-powered minicomputers to create an impressive global customer base, but has fought shy of a heavy manufacturing involvement.

involvement.

"Fifty five per cent of every revenue dollar goes to suppliers," says Friedman. It is unique among the group of companies with which it competes, he points out, for operating without any chip fabrication facilities of its own.

In part, the strategy has paid off. Sun's steady revenue growth has outstripped the more vertically-integrated IBM, Digital Equipment and Hewlett Packard by several orders of magnitude. But earnings per share have been more erratic, and four years ago prompted the company to seek an improved – and more consistent – performance from

its suppliers.

Given its high level of dependence on suppliers, the company was also determined to monitor their effectiveness over a broader spectrum than price, quality and delivery reliability. In order to assess the total cost of dealing with a supplier, suppliers' ongoing technological depelopment and back-up support mattered too, Friedman argues.

Each supplier's performance

against the company's "score card" is reviewed quarterly with members of the supplier's senior management. The long-term objective is to dispense with

periodic measurement and have the data online.

Several things make the Sun scheme stand out. One is the way it has been extended beyond the core of suppliers who produce parts to go inside computers; airlines and car rental companies have also been assessed. Another is striving to avoid fuzzy measurements, even in areas such

as technical capability.

The company looks at suppliers' investment levels and what Friedman describes as their "technological road map" with precisely formulated expectations. With printed circuit boards, for example, particular levels of expertise are set as minimum

standards.

Targets are constantly made tougher: three years ago "on time delivery" meant delivery within a time hand stretching from three days early to one day late. Now it means two days early and zero days late.

Moving the goalposts has disguised progress: although suppliers' score card performance has only improved from 1.33 to 1.23 (1 is a "perfect" score, 2 is fallure) since the scheme's inception, this is misleading. On a constant measurement criteria basis, claims Friedman, suppliers' performance has shot from 1.33 to 1.00 — in other words, to a level thet Sun regarded as perfection three years ago.

Suppliers' attitudes have been very positive, says Friedman. "It's a symbiotic relationship," he argues. "The attributes we measure help the supplier."

Alastair Kelly, managing

Austair Kerly, managing director of Design to Distribution, the newly autonomous subcontract manufacturing operation of UK computer supplier ICL, agrees.

The volume of Sun business which he undertakes has grown tenfold to \$34m since 1990, and he has now imposed the Sun vendor assessment approach on his own suppliers. "It's the best bit of free benchmarking I get," he says.

hat does it take to make a good chief executive? And what to make a good chairman, or a good executive director? What about non-executives?

What about non-executives?

These seem pretty basic questions yet they are ones which companies rarely ask themselves. While academics write papers about "key competences", there are few signs that boards of directors take any notice.

Last week the UK's Institute of Directors and the Henley Management College attempted to answer the questions in a way that they hope will be of practical use.

With admirable precision, they have drawn up a list of no fewer than 20 qualities which are degreed.

With admirable precision, they have drawn up a list of no fewer than 29 qualities which are deemed essential in boardrooms of companies from the biggest to the smallest. They have considered each different role on the board and allocated the qualities accordingly.

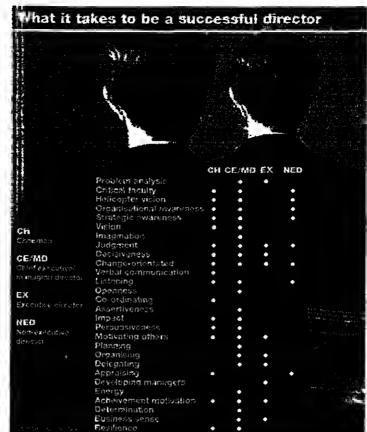
The chief executive turns out to need all but four of these qualities, the chairman needs 18, the executive directors need just 10, while non-executive directors need only nine. The idea is that companies have a yardstick against which to hire new directors and to measure existing ones (sending them off on courses to acquire those qualities which they do not possess).

The lists are part of an even more ambitious project to set general standards for all aspects of board behaviour and performance. When IoD and Henley set about writing such guidelines – at the government's invitation – it quickly became clear that there was little point in discussing the tasks of boards without reference to the quality of its members.

The lists are likely to be one of the most controversial parts of their report*. The authors are asking for comments, but may not be prepared for what may be a lively debate, to put it politely. There will be screams of protest from those who reckon the wrong qualities have been selected, as well as from those who feel directors are so diverse there is little point in looking for common characteristics.

Victor Dulewicz of Henley Management College, co-author of the report, warns that it is still only in draft form, and that in any case the lists are meant to be applied with flexibility. "We are not saying this is the list. We are saying: use it as a starting point."

He argues that the selection of British directors is dangerously amateurish. Companies use sophisticated tests when recruiting senior and middle managers – sending them to assessment centres and running psychometric tests, yet when it comes to choosing the most important people, most decisions are made on a seat-of-the-pants basis. "These lists are more system-



Qualities that count

Lucy Kellaway studies a new list that attempts to set standards in Britain's boardrooms

atic than the methods some companies are using," he says.

Even so, people are already arguing that the list is not complete, and is full of inconsistencies. For instance, it is not clear why chairmen need to be good talkers but chief executives do not. Nor why non-executives need to be good at criticising, but need not be so good at analysing problems. Worse, many people – Sir Adrian Cadburyamong them – would say independence is the most important trait of the non-executive. Yet this is

nowhere on the list.

Colin Coulson-Thomas, academic and consultant in boardroom practice, agrees that the list contains

some alarming omissions. Directors, he says, must be self-aware. They must be constantly learning. They must also be robust as individuals. "Some people seem to be doing well, but they are skating on thin ice. The moment anything looks dangerous they resign."

ous they resign."

In response, Dulewicz points out that the list was not something dreamed up by the authors, but reflects the distilled views of 340 experienced directors. As such, it says much about the current preoccupations of boards. The only two qualities which are deemed essential for all board members are integrity and a "change orientated" disposition. Post-Cadbury, everybody

feels obliged to pay at least lip-service to integrity, while managing change is a concept so fashionable that it is heresy to question it.

More fundamental are the complaints that the very nature of the project is flawed. Headhunters who make a living by selecting directors reckon that lists are unusable as a practical tool. "In theory it might be useful to have a checklist. But you couldn't recruit using this," says Ian Butcher of Whitehead Mann.

Coulson-Thomas argues that the main weakness of lists is that they cannot take account of the relationship between board members. "People can be excellent on one board and hopeless on another. It is to do with whether they complement the strengths of other board members. There is no point in putting them through a test if they are going to prove incompatible," he says.

He reckons that the skills you

He reckons that the skills you need as a manager are relatively easy to define, and therefore lend themselves to formal assessment. By contrast, at board level an outstanding director might fail on many of the listed qualities, yet have two or three dazzling strengths that more than compensate for their weaknesses. "Those people that the best of indentikit candidates," Coulson-Thomas says.

Even those commentators who are friendly to the idea of a list of qualities are worried about the application. John Hunt of the London Business School refers to academic research that has succeeded in linking certain qualities of directors to company performance. Many of these are similar to those on the IoD list. They include "interpersonal skills", strategic awareness, information processing and motivational drive.

However, he reckons the lists can still be dangerous in the hands of careless companies. "They are an improvement ou the 'do you know Fred, he's a good chap' sort of recruitment," says Hunt. But there is a risk that some organisations are assessing people on these characteristics but are using dublous instruments. They might be looking for the right qualities, but they have no appropriate means of finding them.

While not everyone agrees with the report, most would argue that the present boardroom practice is far from ideal. Recent research in the UK has shown that fewer than one in eight companies makes any attempt to measure the effectiveness of its directors. Regardless of the value of the 29 qualities, anything that gets companies to question whether their directors are suited to their jobs is progress.

*Good Practice for Boards of Directors. IoD and Henley Management College.

Europe's most admired

Senior European company executives are being invited to "vote" for Europe's Most Respected Companies in a new survey by the Financial Times in association with Price Waterhouse.

Business leaders will be asked to nominate companies in their particular sector based on seven specific qualities.

They will be asked to consider the standard of customer focus, customer loyalty and service, the quality of employees, products and services, and the company with the most outstanding business performance – for example, the company that has shown consistent growth and long-term profitability, is a low-cost producer or whose results are used as a benchmark by others.

Participants will also be asked which company in their industry demonstrates clear leadership and management

Other questions cover which companies have the most effective strategy, perhaps in terms of policy and objectives or response to opportunities in the emerging European market, and which companies care about the environment.

Finally, respondents are invited to nominate the

company which they admire overall.

Almost 2,000 chairmen, chief executives and finance officers from 640 European companies are being invited to take part in the survey. The companies span 21 sectors and include the

from Portugal to Turkey.

The results of the confidential questionnaires are expected to provide a fascinating insight into which companies command must respect from their peers, and why

largest quoted, state-owned and

private companies in 17 nations

and why.

The Financial Times plans to publish the results of the survey, and the winners of the award for Europe's Most Respected Companies, in the newspaper later this year.

Paul Taylor

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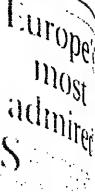
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FINANCIAL TIMES

Disposing mounting piles of vaste is one of the hardest environmental problems for governments to get right. Few have yet done so. The issue causes political pit-

falls. In many industrialised coun tries, recycling is one of the few "green" issues which reliably stirs up public passion even when recession has muted other concerns about the environment. ft gives economists headaches: are taxes or regulation the best tools, and how tough should they be?

These debates also take place against a backdrop of scientific controversy about which disposal methods harm the environment least, a debate handicapped by a shortage of thorough research. "Much recycling does not make economic sense - and some of it uses more energy than it saves," says Steve Webb, policy director of the UK's National Association of Waste Disposal Contractors (NAWDC).

Industrialised countries are now grappling with attempts to improve the control of solid waste from every part of their economies, from housebolds and industry to agriculture and mining.

The European Union is working on a new directive to insist that a majority of packaging is recycled. More than 70 countries worldwide with the notable exception of Russia - agreed last month to han dumping of radioactive material at sea. North Atlantic countries have signed a similar, tighter, treaty restricting many kinds of industrial dumping at sea.

Meanwhile, the US Superfund legislation on cleaning up contami-nated land, one of the most ambitious pieces of environmental regulation yet passed, is soon due for re-authorisation. Superfund's critics argue that full compliance could cost the private sector \$500bn (£342bn) and the government's defence and energy departments, and that overhaul of the rules is urgently needed.

This legislative effort on solid waste tends to be greatest in developed countries. For these parts of the world, air and water pollution can seem more pressing - a ranking of priorities acknowledged by the Chinese environment ministry, for example

Yet although much regulation has been in the pipeline for years, recession in industrialised countries has made industry more reluctant to pay. It has stimulated questions as to whether the rules will really protect the environment and whether the price being asked is too

Putting numbers on the size of

Bronwen Maddox examines the debate surrounding waste disposal around the world, in the first of a series

Politics ahead of science

andrai pricang	fact formel	Composi	DOUGH OF HIGH	capa was	1990 (7	°/		
Country	Range		Paper and paperboard	Plastics	Glass	Metals	Food and	Off
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Germany	240-60			**	- 13			. 1
Italy	£40-60			>	T			1
Finland	£14-29		The same of the sa					Ω
Neths	£26-70	US	38	8	7	8	25	14
UK	£6-18	Japan	38	11	. 7 .	8 .	. 32	•
Spain	£2-10	France	31	10	12	6	25	16
Sweden	£10-43	Spain	20	?	8	, 4 .	. 49	12
Australia	£3.50-12	Sweden	44	7	8	2	30	9
New Zealand	£12-18	UK	37	10	9	7.	. 19	18
US	£10-44	Hungary	22	6	6	5		61
Latin America	22-4	'Name or other						
SE Asla	£1.50-5				•			

Municipal solid waste

is no trivial question. Proponents of waste-to-energy - incineration of rubbish to extract heat - argue that much bousehold rubblsb can be regarded as a raw material. What is waste at one time can be re-exploited later - witness the growing practice of washing east European

slag heaps to extract more coal Occasionally problems of defini-tion lead to farce. Polish steel makers have suffered shortages of steel scrap to melt down because Polisb scrap bas been exported to earn hard currency, but imports of scrap have been restricted because it was defined as waste, steel industry companies say.

Nevertheless, OECD figures sugst that municipal waste grew at between 1.2 per cent a year during the 1980s, slightly behind growth in GDP. Recession slowed that growth, hut European waste companies expect the rate soon to resume to that of the last decade.

Figures also point to a second problem: the growing proportion of the world's waste problem is diffi-cult, partly because defining waste chemicals, sometimes toxic, that

make them hard to recycle. In the past 15 years, the proportion of municipal waste made up of plastics has risen by several per cent in most OECD countries to between 8 per cent and 15 per cent, largely at the expense of glass.

Countries are now weighing up a range of solutions for tackling these trends. One vocal lobby says that

The enthusiasm for recycling shows how politicians' impulses can lead to rules which are damaging

waste disposal costs (and energy costs) should rise steeply to encourage companies to use resources more efficiently. Companies acknowledge that this

works: ICI, the international chemicals group, says that its paints division has cut its waste by more than half in the past four years because of tighter regulation.

But economists, such as Dieter Helm, director of Oxera, the Oxfordbased forecasting group, argue that measures like these simply produce a one-off shift in behaviour, and avoid longer term questions of pick-

ing the right waste strategy.

The main options, once the waste exists, are recycling, incineration, burying it or dumping in rivers and the sea. The tendency of regulation in the past few years has been to encourage each country - sometimes each company or town - to deal with its own waste. In particular, that has cut down the opportunities for dumping at sea, one of the cheapest ontlets.

But many argue that these strate-gic decisions have not been taken on the basis of scientific evidence. The UK government, which last month signed the London Conven-tion against dumping radioactive waste at sea because of "the weight of international pressure", argued that "scientific evidence shows that dumping at sea under controlled conditions causes no harm to the marine environment".

However, at home, its own enthuslasm for recycling has come under similar attack. NAWDC argues that while recycling aluminium cans saves energy, recycling plastics does not - a conclusion which Dow

Chemicals supports.

According to Webb: "Politicians concentrate on household waste because people like to be told to But bousehold waste makes up only 20m tonnes - around a seventh - of the total, including industrial and commercial waste.

The consequences of shaping complex regulation with too little regard to the underlying science are serious, however: an extra burden on industrial costs that could harm competitivene

True, the sharp differences in landfill costs between countries (see table) are partly the result of local geography. In the Netherlands. fears of polluting the water table mean that landfills are scarce while In the UK, geology and extensive quarrying for building materials have left a large number of suitable holes to be filled in, and landfill absorbs around 85 per cent of waste. But the disparities are also due to

the strictness of regulation. Waste companies this week warned the UK government that its propose waste management rules could add a third to landfill costs, and proposals for a EU landfill directive would have an even greater impact.

Perhaps the best example of the difficulty of judging the impact of waste regulation is the German packaging recycling scheme. The mandatory recycling targets pushed Duales System Deutschland, the scheme operator, into near-bankruptcy and mounds of unwanted paper and plastics were sent across the German borders.

Politicians have appeared tolerant of the environmental lobbies, which have gradually ruled out cheap ways of disposing of waste. But the enthusiasm for recycling in particular shows how their impulses can too easily lead to rules which are expensive and even environmen-

tally damaging. David Pearce, a leading environmental economist and former adviser to the UK government. points out adeptly in his recent book, Blueprint 3 - measuring sustainable development, that waste disposal is an area where govern ments have been particularly poor in weighing up costs and benefits. The risk, he warns, is that their strategies lead to inefficiency and a waste of resource

Some of the legislation in the plpeline - in particular the EU packaging directive - offers a chance to remedy those flaws. But in general, waste management is a case of politics running too far ahead of economics and science.

Next week's article focuses on Japan.

Buddhists clash with hoteliers

Emiko Terazono on efforts to preserve Japan's ancient capital

Talking through the dark wooden gates of Kouryuji, Kyoto's oldest Buddhist temple, visitors are greeted by a sign politely refusing entry to those staying at the Kyoto Hotel.

The temple is one of 1,000 in Japan's ancient capital embroiled in a longstanding row with the city's oldest luxury botel. The Kyoto is being rebuilt into a high rise structure due to be

completed this summer. For the past three years, the Kyoto Buddhist Association has been protesting that the beight of the new hotel - 60m - could detract from the skyline of the ancient religious and cultural

"Of course we can't really check where people are staying, but it's our way of standing our ground," says Chikon Kiyotaki, Kouryuji's

chief priest.

The Japanese are destroying with their own hands even what the Americans chose to preserve," he says, referring to the decision by the US air force during the second world war not to bomb Kyoto's numerous temples and gardens.

In 1988, restrictions on the height of buildings in Kyoto were eased from 45m to 60m in an effort to boost development and investment. But Akira Nakajima, a lawyer and leader of a group of residents against the urban development of Kyoto, saya the height restriction had protected the view of the mountains

surrounding the city. The Buddhist monks lost a lawanit against the hotel in 1992, but have continued to apply sure. They have been calling for the disclosure of the city's approval procedures for buildings. Last year the city council announced new construction laws to protect certain areas around nistoric foundations.

Meanwhile, the city's efforts to revitatise the industrial area south of the city, including the reconstruction of Kyoto station have met with controversy.

Kyoto's business community regards the new station as the main celebratory project of the city's 1,200th anniversary this year. The city council and local husinessmen asked seven leading architects, including the late Sir James Stirling and Peter Busmann, to submit designs for the station.



400m-wide by 60m-high glass and concrete avant garde structure designed by a Japanese architect

Norihisa Taniguchi, managing director of the station planning company, says the building, which will be completed in 1996, will become the new symbol of the city - the "Eiffel Tower of Kyoto".

The group in support of development in central Kyoto claims residents have the right to a normal city life. "People don't want to live in uld wooden houses and become victims of construction restrictions," says Takeshi Tanaka, managing director of the Kyoto

He claims the city is experiencing a population drain, especially with university campuses moving out due to building height limits, taking the students with them. Nakajima argues, bowever, that development in the city is driving people away, adding that it should "not be just about building high-rise buildings". He says the city planners of Kyoto lack a comprehensive vision of what the city should look like.

Although temples around the foot of the mountains surrounding the city have remained unscathed, many in central Kyoto bave not. The wave of urban development during the economic "bubble" in late 1980s enabled developers to construct office buildings and condominiums around the small temples and shrines in the centre of the city.

Klyotaki offers the pro-development camp a few words or contemplation: "If Kyoto ceases to become Kyoto, who will want

PEOPLE

FT Asia-Pacific Telecoms Analyst

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Fisons finds FD in Hankinson

Fisons has concluded the long search for a finance director by appointing David Hankinson, formerly of Ranks Hovis McDougall and Lucas Indus-

Hankinson, 54, is a well-known figure among the ranks of finance directors. He achieved some prominence a year ago when he left RHM on its takeover by industrial group Tomkins, only five months into a three year contract earning £160,000 a year. This came less than a year after be left Lucas Industries with a £352,000 handshake.

From 1989 to 1993 he was finance director at Lucas Industries and, between 1986 and 1989, finance director at Rover group holdings. He left

Constructive

Cerald Kaye, a former director

of London & Edinburgh Trust, has been appointed develop-

which has development schemes planned in Cardiff,

Edinburgh, Leeds, Manchester,

Coventry, Gulldford, Theale, Camberley, Hayes and Bristol.

Kaye, 35, is a chartered sur-

veyor who started his career at

Knight Frank & Rutley where

he specialised in office develop-

ment consultancy, in 1986 he

joined London & Edinburgh

Trust, the property developer

careers



isb Aerospace.

when the government sold its stake in the company to Brit-Hankinson graduated in law from Cambridge and qualified as an accountant with Arthur

that was later sold to SPP, the

He spent the past two years

as chief executive of SPP.LET

Europe, and was responsible

for a £250m European invest-

ment portfolio in Austria,

France, Germany, the Nether-lands, Italy, Portugal and

Spain.
The most recent develop-

Almack House in London's St

James, which was forward sold

the 85,000 sq ft development of

Agriculture House in Knights-

Swedish insurance group.

he joined Midland bank as a financial controller and moved on, via George Wimpey, to Guthrie Corporation, his first finance director post in 1979. He worked at Wilkinsons Sword and Chloride before Sir Graham Day headhunted him to be group finance director at Fisons has been hunting for a finance director since the early retirement of Roy Thomas in December 1993. It is still seeking a chief executive -Cedric Scroggs was ousted in

December 1993 when the com-pany issued a profits warning. A number of candidates" have been seen and the search is continuing. Fisons said yesterday. (See Observer)

development activity with the aim of creating profits for reinvestment in high yield retail and industrial portfolios.

■ Terry Roydon has been appointed deputy chairman and chief executive of PROWTING; he is succeeded as group md by David Brill, chairman of Galliford Homes. ments he has been involved with are the 100,000 sq ft David Brill, md of Galliford Homes, has been appointed a director of Prowting following its acquisition of Galliford. Tony Betney, md of Galliford (UK), has been appointed to the main Galliford board. to the Dutch fund PGGM and bridge, forward sold to Credit ■ Tony Davies and Ian Foncier de France. Helical Bar is increasing its Franklin have been appointed directors of EBC GROUP.

Charter acquires directors - only

Charter, the industrial group. has named three new non-executive directors - but denied that their identities gave any clue to the group's well-flagged intention of making a substantial acquisition.

Charter was left with about

£150m in cash after unwinding its links last year with Anglo American Corporation, the South African mining group. Sir Chips Keswick, joint deputy chairman of the merchant bank Hambros, is retiring after six years as a non-executive director. Jeff Herbert. Charter's chief executive, says Sir Chips had been appointed to the board to represent the South Africans, but had agreed

heavyweight will be filled by

to stay on until the restructuring process was completed. Sir Chips's role as City

Peter Allen, who will join the board as a non-executive when he retires from Coopers & Lybrand at the end of April. Allen, 55, has worked for the accountancy firm since 1963. He became managing partner in 1985 and was appointed dep-

uty chairman in 1990. The two non-executivea appointed with immediate effect are John Neill and Neil Johnson, Neill, 46, is chief executive of Unipart Group and has considerable experience in the automotive supply industry. Johnson, 44, has spent most of his career in engineering. He was formerly director-general of the Engineering Employers' Federation, following a period with British Aerospace. He is general secretary of the RAC

Herbert says the background

of neither man gives a lead on his plans to add an extra leg to Charter's businesses, which supply equipment to the mining and rail industries, and building products, including quarrying. He says: "Both have considerable experience in industry - that is the important thing. They are also slightly younger - which should give them more

energy. Charter believes most quoted UK companies look overvalued and is more likely to buy a division from a multinational or consider countries where companies are on a lower rating. Herbert says: "We have been casting our net a hit wider. There are several interesting things we are looking at right now - but we've been doing that for some time."

Non-executive directors Andersen. After 11 years there

■ Sir John Banham became chairman of TARMAC yesterday and Sir Eric Pountain retired. ■ Sid Taylor as deputy

chairman at BENSONS CRISPS. John Rawlings, formerly deputy chairman of Morgan Grenfell & Co. at HENRY

ANSBACHER. ■ Nigel Wray as chairman at CARLISLE GROUP.

■ Bobert Phillippe Hoegen at CALOR GROUP; Folkers Schukken has resigned. ■ Ian Stewart, former chief executive of British Ever Ready, at FINELIST.

automotive parts distributor about to be listed. a Stuart Macdonald, the former chief executive who became non-executive last September has resigned from The SCOTTISH HERITABLE

Anthony Fay, chairman of **ERA Group and Reynolds** Medical Group, at BSS GROUP. ■ Richard Westcott, a former director of Warburg Securities, at HERRING BAKER HARRIS

■ Paul Seymour, former chief executive of Laurentian Financial Group, at MARLBOROUGH STIRLING

GROUP. Peter Bishop has retired from API GROUP. ■ Gareth Davies, chairman of Glynwed International, and

Frances Elliott, public affairs director at Tesco, at MIDLAND INDEPENDENT NEWSPAPERS. Tony Mitchard, chief

executive of Avou Rubber, at SLATEBOND. Ronald Armstrong, chief executive of Pera international, Peter Williams. chief executive of David S Smith (Holdings), and Brian Williamson (below left), chairman of Gerrard & National Holdings and a

TRUST. ■ Kate Atchley (below right). chairman and chief executive of Kato Communications, at PORTFOLIO FUND

member of the SIB, at

ELECTRA INVESTMENT



Theatre The 3 Lives of Lucie Cabrol

atching the performers in Theatre de Complicite's current production, The 3 Lives of Lucie Cabrol, you can see what extraordinary performers all seven of them are. The show reveals also how well the company creates theatre in ampteen different ways - by using movement, speech, music, lighting, props, scenery. But what is best is how all this virtuosity and variety are directed simply into telling the story. And, though the story is modern (written hy John Berger), you follow this Complicite version as intensely as you read a Grimms' fairytale. Lucie Cabrol, the story's heroine.

is a tough, tiny, gnarled daughter of the soil - and an embodiment of whatever is indomitable about the European peasant spirit. Born in 1900, she lives through both world wars, working the land, and living off it. Some village men depart for war, for Paris, for the Americas, and of them s few are killed and injured. Other men stay and work the land, including two of Lucie's hrothers, who betray her and finally, when she is in her 40s, turn her out. So ends Lucie's first life. The Complicite production tells this narrative with wonderful seamlessness. We hear of wartime deaths; we see the labourers at work on the land with their scythes; and, of course, the double eaning of "scythes" strikes home. Lucie herself, is as sharp and strange and aggressive as a figure from myth - Rumpelstiltskin, or

ncie's second life la as a loner, living outside the village, selling mushrooms and berries, smuggling cigarettes at a profit, hoarding her profits vindictively. (The way we see her pluck unseen berries, from buman "branches", and store unseen musbrooms in ber skirts, is one of the show's brightest details.) Jean, the man who got away without marrying ber, returns, and she tells him of her life. She is so tough - and so determined even now to marry him - that we think she will live forever, but no. The third life of Lucie Cabrol is as a ghost, claiming Jean from beyond the grave like some bizarre old goblin Cathy haunting some old minor-league Heathcliff

The 3 Lives of Lucie Cabrol is not a perfect show. A few elements of the story are unclear and the scenery for the finale sets up a stronger parallel to the Crucifizion than the story can sustain. The taped (very cinematic) sound accompaniment by Christopher Shutt is sometimes too intrusive and too crude.

Even so, this is one of the most riveting pieces of theatre to be seen lo Britain today. Lilo Baur's impersocation of Lucie bas a terrific much for effect); and, as Jean, Simon McBuruey gives the most remarkable performance amid 2 remarkable ensemble. (No wonder, for he, with Mark Wheatley. adapted the story; and be has directed the whole staging.) Somehow he manages to be aged before his time, perplexed, sensitive, and buggable, all at the same time. While Lucie, at the climax of ber stormy narration, pours out, on her knees beneath the Madonna, ber angry frustrations, the most affecting thing of all is how way McBurney, sitting and watching her swk-wardly, simply shifts his weight. He becomes the heart of the story and the production.

Alastair Macaulay

At Riverside Studios. 081-748-3354, until April 9.



Opposite ends of the spectrum: Norman Tebbit and Austin Mitchell on Sky News' political discussion programme 'Target'; and Omar Sharif in made-for-TV series 'Red Eagle', Sky 1 Television/Christopher Dunkley

What you see when the Sky's the limit

t is 10.30 on Saturday morning and on screen a black woman is shonting "Git yo' arse up boy!" Zap to the next channel and you find a singing cowboy: "Theer's a honky tonk on ther edge 'o town," he moans. Zap on again and you find yourself looking at a big close-up of a jew-elled ring. "It's a convenient ring to wear at any time," says a woman with an estuary accent. Which ring isn't, you wonder, as you note the price: £114 plus £3.50 p&p. Flick forwards once more and you see three teenagers sitting at a table, "The Revenoo Act of 1797 was innerdooced ter replace the Stamp Act," says one. His friend who is drinking milk through a straw laughs and the milk shoots out of his ears. This is satellite television. The

black woman is on the pop video channel MTV. The cowboy appears to be on the Discovery channel Which specialises in old American documentaries, but their transponder is being shared by CMT (Country Music Television). The convenient ring is on QVC, a shopping channel which, astonishingly, you cannot watch without paying a sub-scription, even though its output is international.

consists solely of sales pitches from a team of cloned presenters. The ear trick occurs on the American children's channel Nickelodeon.

If your satellite dish, like most, points at the Astra satellite you can now receiva 48 channels in addition to BBC1, BBC2, ITV and C4. Depending upon the time of day, anything between 20 and 30 of these will be in foreign languages, nearly all German, though Galavision is Charles ISTU Japanese and TV Spanish, JSTV Japanese, and TV Asia, which piggybacks on the tran-sponders of Nickelodeon and Sky Movies Gold, is in various Asian languages. On most days, at times when most people are free to view, there are now 17 satellite channels delivering programmes in English. Eleven of these are entirely or predominantly American: Bravo (old movies). Children's (many cartoons), CNN (news), Discovery & CMT, Movie Channel, MTV, Nickelodeon, Sky Movies, Sky Movies Gold and Sky 1. The services which can reasonably be called British are the shopping channel QVC, Sky News, Sky Sport, UK Gold (showing old British TV series) and the wom-en's channel, UK Living, Eurosport

About 3.5 million people in Britain live in homes which have paid to get access to these extra services, mostly viz dishes, though a minority are served by cable. The main channel provider is, of course, Rupert Murdoch's News International via its satellite television outfit, Sky, in which Pearson (owner of the FT) has a significant stake. Since Sky scrambled most of its channels last summer and began charging subscriptions varying from £7 to £20 a month for different "packages", more and more people have been paying a monthly fee for this form of extra television. The smallest package costs £83.88 a year which is more than the BBC licence

et the remarkable fact is that the people who pay these prices still spend much the larger part of their viewing time watching the old terrestrial channels. Using the BARB figures jointly issued by the BBC and commercial television for the week ending February 13, the most recent available, it is possible to construct the following "Top 10

fee. If you take the whole Sky package the annual fee is £239.88.

Channels" list based on audience share inside satellite and cable equipped homes: 1. ITV: 29.9 per cent

2. BBC1: 26.0 per cent C4: 7.7 per cent BBC2: 5.8 per cent

4. Sky 1: 5.8 per cent Sky Movies: 3.8 per cent 7. Movie Channel: 3.6 per cent 8. Sky Sports: 29 per cent UK Gold: 2.3 per cent 10. TNT/Cartoon: 2.1 per cent

This accounts for 89.9 per cent of viewing. The other 10.1 per cent is split between the other satellite channels with Sky News, for instance, taking 1.1 per cent and the Family Channel 0.4 per cent. Thus even in homes where the satellite is available, the four old terrestrial channels take a 69.4 per cent share while the dozens of satellite channels all put together achieve only 31 per cent. Why? The fashion now among tha satellite peopla is to argue that we should not see their channels as alternatives but merely as adjuncts. There is some strength in this where the specialised channels are concerned: viewers can be expected to dip in and out of Sky Sport or The Movie Channel and

not watch them as they might watch, say, BBC1. The same hardly applies to Sky 1, however, which set out to be a general entertainment channel capable of challenging similar channels. Yet it only manages

to match BBC2's share. The satellite does offer items unavailable elsewhere. Once you have the service in the house, Sky News and CNN quickly become your first reference points for breaking news: you do not have to wait for the fixed bulletins at 7.00 pm or 9.00. In the past week I have seen, on UK Gold, the final episode of The Hitch Hiker's Guide To The Galaxy which I missed twice on the BBC. On Sunday night the Movie Channel screened The Lover, a film which some would regard as soft porn but others might say was a non-violent Ai No Corrida. It certainly has enough explicit eroticism to ensure that the strait-laced terrestrial channels will not show it. For those who can take the tedium, the German channels regularly offer a teutonic type of Carry On movie featuring much lederhosen and bonking; since the dialogue Is irrelevant it is no disadvantage to News political discussion, Torget, with Norman Tebblt and Austin Mitchell interrogating somebody, is

nearly always good value.

Is that enough to justify the extra outlay? Almost certainly not in most ordinary homes. It is not an inspiring experience to switch to the satellite, zap through 20 or 30 channels, and find that virtually all of them are showing old American material featuring, naturally enough, American accents and American values, from guns to god.

etween 7.00 this evening and 1.30 tomorrow morning Sky 1 offers nine series, all bought second-hand from the US, and nothing else. I had hoped to be able to add that the first major drama to be commissioned by Sky 1, an adaptation of the Ken Follett thriller Red Eagle, screened in two-hour chunks on Sunday and Monday, proved that matters were improving. Unfortunately, although the locations and credits said "Money!", this was a distressingly poor piece of work, badly directed, brimful of cliches, and badly acted.

Matters can only improve, surely.

A Greek tragedy in Moscow Arkady Ostrovsky reviews "The Oresteia"

arrived in Moscow: the stage of the Central Theatre of The Soviet Army". Just as in Aeschylus's times when the audience would spend the whole day in theatre, Stein's production of The Oresteia lasts 91/2 hours. The theatre works as an ideal set; it seems only natural when the great a character, but as an actress as warrior Agamemnon appears on this stage decorated by military symbols. On stage is a high black wall with a big door in the middle.

Peter Stein could hardly

have found a better venue

for the ancient Greek trag-

edy, Aeschylus's Oresteia, when he

chorus of 12 men dressed in black coats. All the leading parts are played by the same actors who make up

Every entrance or exit through the

door brings tragic news or death to

the city of Argos, represented by a

the chorus. Each actor in turn steps her feet. Blood slowly streams from out of the crowd in order to play his part. The black wall sets off the appearance of Clytemnestra (Ekaterina Vasilyeva). She is the only one who never steps back into the chorus - she stands out, not only as

The killing of Agamemnon and Cassandra is one of the best scenes in the whole production. According to the rules of Greek drama the killing takes place behind the black wall, inside the house. We see only the result. Soiled with blood, Clytemnestra appears on the moving platform. The dead bodies of Agamemnon and Cassandra lie at

the platform onto the floor. Clytemnestra's monologue is accompanied by the monotonous sound of dripping blood; by the end of her speech it makes a big puddle.

Vasilyeva's Glytemnestra is a mixture of goddess and barbarian. She stands, with feet wide apart in black stockings, with a tucked up skirt; her white shirt is tied in a knot. Glytemnestra has been waiting for this moment for ten long years, since Agamemnon killed their daughter, Iphigenia. She holds a sword and smiles, probably experiencing the same feeling of satisfaction as Agamemon did when Troy

For her, the killing of Agamemnon is justified and fair. After her monologue, it seems fair to the audience also. In fact, every murder in this tragedy is justified; but the pool of blood threatens to engulf

Unfortunately, however, the tragedy ends when the actress disappears from the stage. All that happens after this resembles a Christmas pantomime. Athena flies like a fairy across the stage in a silver dress; Apollo appears in a laurel wreath, with a lyre in his hands; the badly made-up Furies run up and down the stage as if trying to frighten bad boys and girls who fail to listen to their parents.

All this seems totally divorced | Welsh head quits from the previous two parts. Apollo here is a trivial joker, who would hardly be capable of sending Orestes off to kill Clytemnestra since be is too busy making cheap comments about the jury and flirting with Athena, Members of the jury behave like the Russian parliament and the whole trial scene turns into a rather primitive skit on Russian political life.

speak no German. And the Sky

Stein, in apparently deciding to "update" this great tragedy, made a mistake: Russian audiences no longer appreciate superficial political hints in the direction of the government. Paradoxically, the high tone of Ekaterina Vasilyeva's acting reveals much more about the problems of the modern world than any of the Apollo's cheap jokes.

In Moscow, then goes on tour in

atthew Epstein, general director of Welsh National Opera, resigned vesterday. St David's Day, writes Antony Thorncroft.

He gave as his reason the parlous financial state of the WNO. "This year's funding decision, and those intimated for the future, are simply not acceptable in the face of the WNO's record of international artistic success and acclaim."

Epstein, an American, led the WNO for just under three years. He recently announced redundancies and cancelled productions brought about by a deteriorating financial

situation. Taken with the threats of Simon Rattle to quit the CBSO for similar reasons it will put pressure of Peter Brooke, Heritage Secretary, to raise arts funding.

INTERNATIONAL

BONN

Oper Tonight: Dennis Russell Davies conducts Gian Carlo del Monaco's production of Les Contes d'Hoffmann. Mon: Eva Lind song recital, March 13: first night of new ballets by John Butter and Youri Vamos, music by Carl Orff. Davies takes Orchestra of the Beethovenhalla on tour to the US from March 5 to 23 (0228-773667)

■ COLOGNE

Philhermonie Tonight: Anloni Wit conducts Polish Radio Symphony Orchestra in works by Wolciech Kilar, Ghopin and Brahms, with piano soloist Babette Hierholzer. Fri Labeque Sisters piano recital. Sat: I Musici di Roma plays baroque concertos. Sun morning, Mon and Tues evenings: John Fiora conducts Gürzenich Orchestra in Brahms, Prokofiev and Strauss, with piano soloist Hae Jung Kim. Sun afternoon: Borodin Quartet. Sun evening: Gidon Kremer and friends. March 11: London Philharmonic. March 12, Maazel conducts

Bayarian Radio Symphony Orchestra. March 13: Hamoncourt conducts Chamber Orchestra of Europe. March 16: Sawallisch conducts Vienna Symphony Orchestra. March 20: Andras Schiff. March 23: Alfred Brendel (0221-2801) Openhaus This month's repertory

includes Rigolstto with Leontina Vaduva as Gilda, Fidelio with Ben Heppner and Lisbeth Balslev. Jochen Ulrich'a choreography nf Peer Gynt and Harry Kupfer' production of Shostakovich'a The Nose (0221-221 8400) Schauspielhaus A new production of Camus' Caligula, directed by Werner Schroeter, opens on Frl. Repertory also includes Shakespeare's As You Like It and Günter Krämer's radical version of Fiddlar on the Roof (0221-221

■ DRESDEN Semperoper A new production of Handel's Belshazzar opens on Sun, conducted by Jörg-Peter Welgle and staged by Harry Kupfer, with a cast including Iris Vermillion and Jochen Kowalski. Repertory includes Elektra, La bohema, Der fliegende Hollander and Prokofiev's ballet Romeo and Juliet (0351-484 2323)

DUSSELDORF

Deutsche Oper am Rhein A new production of Parsifal opens on Sun, conducted by Raif Weikert and staged by Kurt Horres, with a cast headed by Wolfgang Schmidt and Kurt Moll. Repertory also includes La boheme and Swan Lake (0211-890 8211)

Schauspielhaus A new production of Kleist's Amphitryon, directed by David Mouchtar-Samorai, opens on Sat in the Kleines Haus. Repertory includes Shakespeare's Romeo and Juliet, Lorca's Tha House of Bernarda Alba and Brecht'a Mr Puntila (0211-369911)

■ FRANKFURT

Alte Oper Tonight: Christian Tetzlaff, accompanied by Leif Ove Andsnes, plays violin sonatas by Mozart, Ravel, Janacek and Grieg. Tomorrow and next Wed: Borodin Quartet plays Shostakovich. Fri: ivo Pogorelich piano recital (069-134 0400)

Jahrhunderthalle Hoechst Tomorrow: Antoni Wit conducts Polish Radio Symphony Orchestra In works by Wojciech Kilar, Chopin and Brahms, with plano soloist Babette Hierholzer (069-360 1240) Oper This month's repertory consists of Simon Boccanegra with José van Dam In title role, Peter Mussbach's production of From the House of the Dead and Herbert Wernicke'a new staging of Duke Bluebeard's Castle, opening on March 13. All are conducted by Sylvain Cambreling (069-236061)

■ HAMBURG

Staatsoper This month's repertory includes a new production of Henze's Die Bassarlden, conducted by Markus Stenz and staged by Christine Mielitz, and a Ring cycle with casts headed by Gabriela Schoaut, Simon Estes and Siegfried Jerusalem. Anna Tornowa-Sintow sings the title role in Ariadne auf Naxos on Fri, and Dmitri

Hvorostovsky gives a song recital on March 21 (040-351721)

■ LEIPZIG

Opernhaus Tonight, Tues: Stravinsky ballet programme choreographed by Uwe Schotz. Tomorrow: Il barbiere di Siviglia. Fri: two Scholz ballets. Sat: Don Glovanni (0341-291036) Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Tchalkovsky and Schubert, with violin soloist Sarah Chang. Sat: an evening with Peter Ustinov. Sat (Kleiner Saal): Olaf Bar song recital. Sun: Philippe Entrement is conductor and plano soloist with MDR Chamber Philharmonic in works by Schubert. Mozart and Haydn. Mon: Masur conducts opening concert of 1994 Leipzig Trade Fair. Tues: Karl Osterreicher conducts MDR Symphony Orchestra in works by Richard Strauss and Franz Schmidt (0341-713 2280)

LYON

Opéra Robert Carsen's widely-acclaimed Aix production of Britten's A Midsummer Night's Dream can be seen on Fri, Sun and next Tues. Nevilla Marriner gives concerts with the Academy of St Martin in the Felds on Sat and Mon. and conducts Mozart's li re pastore on March 16, 18 and 20, James Bowman gives a recital on March 15 (tel 7200 4545 fax 7200 4546)

■ MONTE CARLO

Salle Gamler Fri, Sun afternoon, next Tues: new production of

Lawrence Foster, with casts Including Lucia Valentini-Terrani, Vinson Cole and Renato Bruson (9215 2299)

■ MUNICH

Nightingale, staged by Petrika

innesco and conducted by

Stravinsky's Oedipus Rex and The

Staatsoper This month's repertory Includes Lady Macbeth of Misensk with Marilyn Schmlege as Katerina. Madama Butterfly with Miniam Gauci and Peter Dvorsky, Der filegende Hollander with Robert Hale and Julia Varady, John Cranko's ballet Onegin and Peter Wright's production of

ille. Richard Jones' new production of Giulio Cesare opens on March 21 (089-221316) Gastelg Tonight: Ivo Pogorelich plane recital Tomorrow, Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Dallapiccola, Bach and Strauss. Sat: Georgian Chamber Orchestra plays Haydn, Mozart and Saint-Saens, Sun: Sinfonia Varsovia

plays Brahms and Mozart (089-4809

OSLO

Konserthus Tomorrow, Fri: Hiroshi Wakasugi conducts Oslo Philharmonic Orchestra and Chorus in Grieo's complete music for Peer Gynt, March 16, 18: concert performances of Bellini's Norma. March 17: Academy of St Martin in the Fields (2283 3200)

■ STOCKHOLM

Royal Opera The main event this week is the premiere tomorrow of Germany a new production of La Bayadère, choreographed by Natalia Makarova (repeated March 4, 5, 9, 10, 11, 24, 25, 26, 29, 30). Repertory also

includes La bohema and Glen

Tetley's ballet The Tempest

(08-248240) Berwaldhalten Niklas Willen conducts Swedish Radio Symphony Orchestra in two programmes this week - works by Soderman, Stenhammar and Alfven tomorrow and Fri; Brahms, Hummel and Alfven nn Sat afternoon, with trumpet soloist Hakan Hardsnbergsr (08-784

■ STRASBOURG

1800)

 Nederlands Dans Theater presents choreogaphies by Jiri Kvilan tonight and tomorrow at Théâtre Municipal. Andreas Schmidt sings Schubert's Schwanengesang on Sat (8875 4823)

 Theodor Guschibauer conducts a concert performance of Tristan und Isolde on Sun afternoon at Palais de la Musique, with Gabriele Schnaut as Isolde (8852 1845)

■ STUTTGART

Staatstheater Tonight, next Thurs and Sun: Maurice Béjart'a choreographic version of Die Zauberflöte. Tomorrow: Don Giovanni. Fri, Sun, next Tues: revival of Achim Freyer's production of Der Freischütz. Sat, Mon: Marcia Haydée's version of Glazunov's ballat Raymonda (0711-221795)

ARTS GUIDE Monday: Berlin, New York and Tuesday: Austria, Belgium,

Netherlands, Switzerland, Chi-cago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide. European Cable and

Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Supsr Channel: FT Reports 1230.

TUESDAY Euronews: FT Reports 1315, 1545, 1815, 2345 s: FT Reports 0745,

WEDNESDAY NBC/Super Channel: FT Reports 1230

NBC/Super Channel: FT Sky News: FT Reports 0230,

Reports 1230 SUNDAY NBC/Supsr Channel: FT Reports 2230 Sky News: FT Reports 0430,

Ian Davidson

Mr Douglas Hurd, UK foreign secresomeclaims that Britain "wi<u>nning</u> the argument

shape of the European Union. It is not entirely clear how he reaches this conclusion. What is clear is that most of the other broadly based Conserva-tive parties in Europe have signed up to a manifesto for this year's elections to the European Parliament which is at odds with the beliefs of the UK Conservative government.

Europe's Christian Democrats have issued a manifesto explicitly calling for a federal Europe, including a single currency and a European constitu-tion. But even before it was published, Mr Hurd was busy assuring UK Conservatives that their manifesto would be totally different, totally British and totally non-federal.

This beautifully British man-

ifesto is slow to appear. Not merely do the UK Conserva tives not agree with those who ought to be their natural partners across the Channel, they do not agree with each other: it is not easy to draft a text which straddles the deep gulf between the Europhobes and the relative Europhiles. Inside sources say the compromise version will be virtually devoid of content, because the party cannot agree a positive policy position on Europe.

One can see the Conserva-tives' problem. They were bruised by the interminabla struggle over the ratification of the Maastricht treaty, and they are in no burry to grapple in public with those controversial issues once more. And since they cannot fight the European Parliament election campaign on an enthusiastically pro-European platform, they will try to fight it on an enthusiasti-

cally anti-Socialist platform. We must avoid a debate about 'Europe - right or wrong," says a party intellec-tual. "Therefore, we must engi-neer a debate about 'Europe –

This will be a difficult trick to turn: the campaign is more likely to turn on the unpopularity of the government at home than on any European issues. But even if it succeeds, it might not be to the advan-The paradox is that Europe's

Heads in the

> sand The UK's Conservatives should be concentrating on Europe

Socialist parties once fiercely combated European integra-tion as a big business ramp. But they have come round to thinking it may have something for them after all, in the form of quasi-Socialist palliatives, such as the Social Chap-ter of the Maastricht treaty, or a strengthening of democracy

Most British Conservatives. by contrast, seem to have a ep aversion to the Europe that is emerging, and are con-sequently unable to come up with a creative approach to the

They will soon have to face all the Maastricht issues again, and stakes will be higher

opportunities it offers. This is a great plty. Not because any great European issues will be decided by this year's election campaign to the European Parliament, but because history is thundering down on us, and the Conservatives will not be abla to deal with it by averting

They want to forget all about the Maastricht treaty, and pull the bedclothes over their ears. But in the 1996 review conference, which is less than two years away, they will have to face all the Maastricht issues once more, and by then the stakes will be much higher. Take the plan for economic and monetary union. Mr John

Major, UK prime minister, says it is as illusory as a rain dance. But by the 1996 review conference, it will be clear that a large central core of the Union is still determined to go for a single currency; and it will not be deterred by the reluctance

of the also-rans. What will the Conservatives say then? They do not know; they merely hope it cannot happen; but that's

not a policy.
Or consider the Maastricht project for a common foreign and security policy for Europe.
The UK's Conservatives want to put brakes on it, in the belief that they can hang on to the old familiar ingredients of British foreign policy: national independence, the alliance with the US, and the integrated Nato organisation. Unfortu-nately, the world is not like that any longer. In the US this week, Mr

Major has been trying to resur-rect the "special relationship", and President Bill Clinton ha bumoured him with some friendly TV exposure and an overnight stay in the White House. But recent events belie these flattering gestures. When the US president gave

a temporary visa to Mr Gerry Adams, president of Sinn Féin, it was not to advance the peace process in Northern Ireland; it was to advance domestic support for his healthcare programme in the US. Mr Clinton does not care about a 400-yearold colonial conflict in Ireland:

Or take Bosnia. After the mortar attack ou the Sarajevo market, the US president virtually threatened a diminution of US support for Europe's defence if Britain did not agree to the new policy of bombing the Serbs. Since the US has hitherto done its best to keep wall away from any engagement in the Bosnia conflict, and shows no sign of being prepared to get more deeply engaged in the future, his warning can only be taken as a disturbing indicator of tha depth of his administration's commitment to Europe.

This might not matter if we could look ahead to a long era of peace and sunlit security. In fact, events in Russia and soma of its neighbours make it much more likely that we are facing a period of profound instability, and possibly danger. If President Clinton prefers to lead the western alliance from behind, in the case of a localised civil war in Bosnia, what will be his attitude in the event of bigger disturbances further east? We may not know the answer to that question. But a prudent politician would surely be looking for an insurance strategy in Europe, not

begging for reassurance in a

ast week, US super-markets received the first deliveries of milk produced by cows which had undergone a new form of bormone treatment that greatly stimulates milk production. The hormone, known as

bovine somatotrophin (BST) and developed by Monsanto and other chemical companies at a cost approaching \$1bn, is a manufactured version of a nat urally occurring hormone, Marketed under the name Posilac, it has been hailed as an important advance in bio-engineering. According to the US Food and Drug Administration, milk and meat from cows who have been treated with it are safe and virtually indistinguishable from the normal

But these benefits have not prevented BST being swept up in a storm of controversy in the US as well as the Europea Union, where a ban on its use must be reviewed later this year. Fears about the hormone centre not just on the possible health effects, but also on the damage that a sudden surge in milk production could do to the subsidy-laden agricultural economies of Europe and North America.

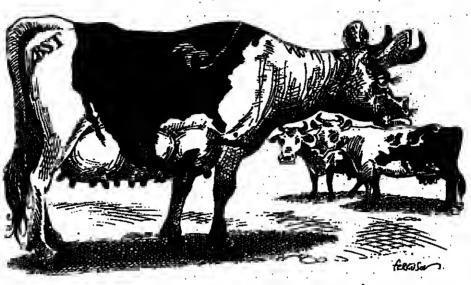
Use of the hormone in the

US was finally approved last November after decades of study and debate. At the same time the White House ordered a study of the potential impact on a market already struggling with milk surpluses. This showed that BST could boost US milk production by 1 per cent a year over the next six years. Unless BST triggered a big change in milk consumption patterns, the US govern-ment would be obliged by its dairy support programme to tional production at a cost over five years of more than \$500m, an increase of 40 per cent in its annual dairy outlays.

Although farmers who are quickest to use the drug would enjoy a short-term profit boost, the study suggests that, as a result of larger and fewer dairy farms and increasing rural depopulation, the net economic effect over five years would be to reduce farm income by 1 per cent and shrink dairy herds by up to 30 per cent. Nor would the consumer benefit, because the subsidy payments would ensure that the retail price did not fall noticeably.

Resistance to BST has been building up for some time. Consumer and farm groups led by Washington-based activist Jeremy Rifkin who heads fading "special relationship". | the Pure Food Campaign, have A milk-boosting hormone is causing controversy, write Laurie Morse and Alison Maitland

Transatlantic row over a sacred cow



staged protests and milk dumpings throughout the US. Ms Robin Donthitt, professor of consumer science at the University of Wisconsin, says that, while other bio-tech projects aim to produce a better tomato or a tastier potato, BST-treated milk brings no benefit to consumers; and because BSTtreated milk is perceived as unnatural, it is seen as adding risk to a product generally considered as pure.

Fearing a consumer back lash, nearly 200 US food companies, including large grocery and convenience store chains and 14 dairy co-operatives, have asked their suppliers not to deliver hormone-enhanced milk for three months to give them a chance to assess the market impact. In the two top dairy states, Wisconsin and California, six school districts have asked that milk delivered to their cafeterias come from

untreated cows. However, consumers have few ways of ensuring that the milk they receive is from BSTfree berds, and the US government, keen to support biotechnology, is making it difficult for processors to label their milk free of artificial hormone treatments by requiring them to prove their claims with

santo is also suing two small dairy processors for using a BST-free label and has sent warning letters to others.

The launch of BST in the US raises doubts about whether the European Commission can continue to resist its use in Europe, where it is the subject of a four-year-old moratorium. Its use could also erupt into a transatlantic trada dispute, highlighting the potential clash between the ethics of

BST has been swept up in a storm of controversy in the US and the EU

food production and the pressure for unrestricted commerce ment on Tariffs and Trade.

"The European Union emphasises quality, wholesome products rather than quantity," said a Commission offi-"We're stronger on that than the US. The US tends to be more geared to market forces, competitiveness, economies of scale and technological Brussels has no quarrel with the safety of BST for buman

ucts from cows injected with BST as adulterated and would respond by cutting down on all milk products. A German survey showed that dairy consumption would drop by 11 per cent if BST were introduced. Mr Steve Emmott of BST Concern, a UK campaign repreenting farmers, environ talists and animal welfare groups, says: "This is the first flagship of the biotechnology industry coming to the market. But we don't think BST is a useful way of using the tech-

nology...It's a product no one

wants or needs apart from the

manufacturers. We don't need

surplus milk. And we don't

need milk with genetically

consumption, but it is con-

cerned about its use on envi-

ronmental and economic

grounds. It believes that con-

sumers would see dairy prod-

engineered hormones." Until recently, Mr René Steichen, the agriculture commis-sioner, indicated that BST-produced dairy goods would not be allowed into the European Union while the moratorium remained in force. But US officials say any such ban is likely to be challenged, just as the US fought the EU's 1989 ban on imports of US meat produced with growth bormones. US

dairy exports to the EU

amount to only \$45m a year. "But it's an issue of principle," said a US official. In any case, the US will have greater access to the European market for its dairy goods under the Gatt

agreement. The Gatt view is that an The Gatt view is that an import han would be difficult to justify, hecause products may in future only be challenged on strictly scientific criteria as opposed to social or ethical considerations.

However, the matter does not stop at an import han. The der prob

not stop at an import ban. The White House report suggests that the US might challenge any extension of the EU moratorium. "For countries to ban BST use, after the hormone has been scientifically found to be safe, would undermine afforts to eliminate unfair trade barriers to US exports,"

t the end of the year farm ministers musi decida the future of BST in Europe. Last December, the Commission lost its battle to keep the moratorium on BST in place until 2000. The ministers agreed only to extend it until the end of this year, saying they wanted to monitor its impact in the US, the trade implications and the effect on European compet-

To strengthen its hand, the Commission has assembled a long list of arguments against BST. It says that using the drug is not compatible with Common Agricultural Policy reforms designed to reduce milk output, and is likely to accelerate the trend towards bigger and fewer dairy farms and to lead to more cows being slaughtered and more beef cat tle raised instead, adding to the beef mountain.

US officials counter that, if fewer cows are needed to produce a given amount of milk. BST helps the environment by cutting manure and methane production and the amount of water, land and chemicals used. They say a small well-managed farm could benefit as much or more from BST use as big, poorly managed one.

However, the Commission is olishing up a new weapon in its armoury to keep the moratorium going. It argues that guaranteeing its dairy products free of BST could give the EU a competitive advantage over US exports - and even a chance to charge a premion - in world markets where BST is either not used or not appreciated such as in Japan.

"We didn't think of thet."

ADVERTISEMENT

Privatization in Hungary 1993

This article is authorised by the State Property Agency

When last year ladies and gentlemen of a mature age rushed the Budapest Stock Exchange with compensation notes in hand, many had thought that it was merely the successful action of an old illustrious company, Zalakerámia. At the, as yet, almost insolvent market the demand for shares was raised by selling them against compensation notes. On the other hand, the unexpected Zalakerámia boom was attributed to the favourable price. The boom, however, continued uninterrupted, and reached its peak last December, when during just a couple of days the shares of Primagâz, the first gas service company launched on the Stock Exchange were subscribed, Pick was sold out, and also the Globus shares were speedily bought up against compensation notes. Within two or three weeks practically the complete package changed owners at a multiple price and the shares of Pick Salami Factory yielded an

1993 was the year of success for privatization - stated Tibor Pongracz, Secretary of State, President of the State Property Agency, and the Board of Directors of SPA. Against foreign currency worth twenty five billion Forints, about 250 million US Dollars, forcigners bought shops, business shares and shares of the llungarian companies offered for sale. At the same time this was the first year, when local investors had become increasingly important, having purchased 15 billion Forints. i.e. 150 million US Dollars worth of state assels, and just somewhat less, 13 billion Forints. i.e. 130 million US Dollars were given in the form of compensation notes for proprietary rights. Hungarians borrowed 210 million Dollars worth of various credit lines, and in total 779 million US Dollars worth of state property was sold.

it had been a year of success . the brokers also agreed, who realise a never before credited turnover in compensation notes transactions, believed to be worthless for a long period. The news of the bullish market in December so far restored confidence in compensation notes, that long queues can be seco in front of Hungarian post offices. Everybody able to do so, tries to utilise the opportunity made available again on February 15th and submits their claims for compensation, in order to buy state assets for the compensation notes obtained. Compensation for harm suffered in the past can be claimed for one more month. It seems, however, that the present profit is more important than past injuries. It is worth exploiting the opportunity, as there will be a supply to buy against the compensation notes. In the opinion of stock exchange experts, the privatization appearing at the bourse aroused from its winter dream the stock exchange struggling under the excess weight of state bonds. It also showed the small investors the road leading there; they had previously deposited their money at the banks looking at the interest only. Now, today, the concept of exchange gain - of yield is not

Sull, the brokers are not happy, because in their view the market is too volatile at present, and also the institutional investors are absent. The bulk of the turnover is made by foreign investors, who from the West and East equally use their money at the Hungarian Stock Exchange in the hope of high exchange gains.

Last year the Hungarian privatization policy primarily aimed at mobilising the local market players, avoiding at the same time discouraging foreigners. The supply matched these objectives, as the foreign, financially strong investors were essentially interested in the companies of the telecommunication, oil and food industry, while the Hungarians slowly bought companies and factory portions in the small and medium category.

The ownership conditions changed radically in past years, and more than one million people have acquired property in one form or another. Almost three hundred thousand people claimed land, more than one hundred thousand new shareholders watch news of stock exchange quotations. They are the people who bought shares in 23 state-owned companies against compensation notes, and exchanged about 6 billion Forints worth of compensation notes for shares. People were allowed to win - brokers savbut this year's prices are mainly dependent on what kind of firms are being offered in exchange for compensation notes.

Last year the Hungarian phone company, Matáv, enjoying a monopolistic position, was sold for a record price. This year, however, the Hungarian major banks will follow. There are few who dispute that the Hungarian financial sector can do with foreign capital injection.

And the client and loan consolidation schemes have made Hungarian financial institutions desirable targets this

The biggest expectations are focussed on the small investor share purchase programme (KRP) to be launched in March. Under this programme Hungarian citizens can get a loan if not free, under extremely favourable terms and conditions worth about 100,000 Forints, le 1000 USD, which sum is repayable later, in order that they can buy shares of selected companies. The aim of the government is to assist those left out of everything else to become owners. Those who do not have money and are not entitled to compensation, and thus were watching Hungarian privatization from outside. About 10 billion Forints, i.e. 100 million Dollars are allocated for this purpose, and according to preliminary information shares offered would include not only bank shares, shares of the Sopron Brewery, but also of the Hungarian oil monopoly. MOL Rt.

Last year 404 companies passed from state ownership to the private sector and a smaller or larger portion of a further 185 companies was sold. Privatization affected state assets worth about 280 billion Forints, that is ee 2.8 billion US Dollars. In companies where SPA is shareholder, the share of foreign investors somewhat exceeds ten per cent, Hungarian investors own 17.3 per cent, local governments have n stake of 5.75 per cent and the rest is still a part of the SPA portfolio.

The future fate of privatization is largely dependent on how much the depreciation of state assets, the bankruptcy of companies can be prevented. Last year about 67 billioo Forints, ie 670 million US Dollars were spent on improving the operating conditions of state-owned companies.

State Property Agency Budapest Pozsonyl út.56 H-1133 HUNGARY

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competition forces radical restructuring at British Gas

From C.H. Brown Sir, Your article (Lex, February 25) misses one fundamen-tal point. British Gas has now lost 78 per cent of the firm con-

tract market and, since August 1992, 33 per cent of the market between 2,500 and 25,000

In total this now represents a loss of 41 per cent of the market open for competition, compared with a Monopolies and

Mergers Commission target of Furthermore, the company is prevented from defending its

onwards competition will be introduced to the rest of the market below 2,500 therms The company has taken firm

in these significantly changed circumstances. Clearly tha market has changed dramatic-ally and British Gas has position because the playing ally and British Gas has field is artificially tilted changed rapidly to adapt. It is against lt. Finally, from 1996 disappointing that your article appears to treat a serious situation so superficially. C.H. Brown. British Gas,

Rivermill House,

management action by Rivermill Horrestructuring the business to London SWI

Democratic right of Swiss From Dorian Selz.

Sir, As a Swiss citizen I felt rather uncomfortable reading your article, "EU up in arms over Alpine truck ban (Febru-ary 22). The Swiss people decided in a democratic vote to ban trucks from travelling through the Swiss Alps. That the EU now threatens Switzerland with retaliatory measures leaves me with the impression that the EU does not respect a result of a democratic decision.

This position will not make it easier for the new candidates (all rather small countries) to join the EU since, under the Maastricht treaty, decisions such as that taken in Switzerwould simply be overruled by an institution with

weak democratic foundations. But different opinions are also held within the EU. The former environment minister, Carlo Ripa di Meana, said he hoped this was "not an isolated case but a turn of the trend" in European transport policy. Aberdeen AB2 3EX

PIA must tackle causes not symptoms of bad practice

By Mr Ben Goh.
Sir, It is inevitable that there will always be those who oppose change. Change can npset the status quo and threaten vested interests. The threaten vested inferests. The PIA's birth pangs have hardly started yet. Speaking as a compliance practitioner, the publication of the PIA's prospectus and how it totends to act as a regulator marks a significant milestone in the PIA's quest for recomition as the self-regufor recognition as the self-regu-latory organisation by the SIB. A major hurdle for the PIA to clear to gain credibility is how it proposes to tackle the causes rather than treat the symptoms of bad practice. One of the key issues is product bias, which a commissionbased ramuneration system produces, particularly since Lautro's maximum commis sion rules have been abolished. Product bias, if allowed to pro-liferate unchecked, threatens tha core on which financial services regulation is founded

there is a conflict of interest Given the choice, it will require a perfectly altruistic adviser or salesman to recom-mend a product that earns him less commission but is more suitable for the needs of the client. I suspect that in prac-tice a "smart" adviser or salesman is likely to choose the product that will earn the highest commission possible and proceed to make a convincing case for recommending the product to the client.

If the PIA truly marks a new dawn, it must waste no time in tackling the causes of bad practice that is highly damaging to the reputation of the industry. If it can do this effi-ciently, then it should be able to face the future with equanimity and confidence. The pangs and upheaval caused by its birth would have been a price worth paying. Ben Goh,

partner Compliance Matters & Co, - treating the client's interests No 1 Oxman Lane, as paramount even where Milton Keynes MK12 GLG

Exec options that reward

From Mr David Ogden.
Sir, I have been following your recent reports on execu-tive share options and believe a central point has been overlooked: the benefits to companies of this type of plan. Executive options can attract, retain, reward and motivate key employees at no cost to the company's profit and loss account and with no risk to the company or participant. The cash flow benefits of options can be particularly important in smaller, growing companies that need to reinvest cash. They can use options to attract high-calibre executives who are prepared to take a lower salary and the chance of share

option gains.

Much of the recent criticism has been directed at the excesses of some option plans, neglecting the suitability of well-designed plans with allo-cation policies that have been given sufficient thought. Restricted shares may be appropriate in some cases but they have to be paid for out of profits and the gain is linked to the share price in the same way as an option gain. If the share price falls, the partici-pant will not lose money. With an option, on the other hand, the share price has to rise for

him to gain. If the company follows the guidelines of institutional investors, the dilution effect of issuing new shares on the exercise of options is very small only 5 per cent of the compa-ny's share capital can be issued for executive options. granted over 10 years. David Ogden, Sedgwick Noble Loundes, Norfolk House, Croydon, Surrey CR9 3EB

Unitary authorities should not be forced on public

From Ms Josie Farrington. Sir, John Authers is right to point out "Lack of consensus lagues councils shake-up* (25 February). I would like to clarify the Association of County Conneil's position.

Where local people prefer the present structure they should be allowed to do so, and all available opportunities should quo is a firm option. be taken to make that structure work better. New unitary authorities should not as the

Local Government Commission has said, be forced upon a public which does not support them. When asked to make choices, more people have cited a positive preference for the status quo. The recent judicial review successes of Derby-shire and Lancashire County Councils mean that the status

Change should only be pro-

lowing a thorough review and consideration of the options. Your article assumes this case has been made in more areas than it has. In our view the review of local government should be conducted on a flexible and pragmatic basis. Where the case for change is

made and locally agreed, the ACC beliaves that unitary anthorities need to be large posed for any area with the full and powerful enough to have agreement of local people fol- effective strategic capacity; London SWIW 2BH

they should also be able to avoid the unaccountable joint arrangements which would recreate a worse two-tier system. Small unitary authorities without any other tier between themselves and national government would lead to a fragmentation of local government and its main services. Josie Farrington, Association of County Councils,

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday March 2 1994

Tackling the settler problem

The Middle East has taken important strides towards greater stability in the past three years and it would be criminal folly to permit the act of one extremist to undo much of what has been achieved. The peace negotiations between Israel, the Palestinians, Syria, Lebanon and Jordan must continue despite the massacre at a mosque in Hebron last Friday.

But it would be politically naive to suppose that the Arabs, and particularly the Palestinians, can agree to a resumption of negotia-tions while passions in the Israelioccupied territories are so inflamed. A measure of calm has to be restored, and some confidence instilled that there will be less risk of similar acts of barbarism in the future.

The greatest part of that responsibility lies with the government of Israel. Successive Israeli governments have permitted or vigor-ously encouraged Jewish settlers to establish themselves in the West Bank, Gaza Strip and Golan Heights, against the terms of the Geneva Convention and despite the condemnation of the world community, including the US. All recent incumbents of the White House have emphasised that they consider the settlements to be an obstacle to peace.

They become even more of an obstacle when provocatively placed in the heart of, or very close to, substantial Palestinian population centres. Baruch Goldstein, who carried out the Hebron massacre, lived in such a settlement along with other fanatics whose declared aim is to sabotage the peace process.

Too modest

The measures announced by the government against a handful of settlers since the massacre seem far too modest to ensure a significant improvement in security for Palestinians, Less than 100 people bave been banned from carrying weapons under new government restrictions. Other armed settlers, many of whom are army reservists, are still free to walk the streets of Hebron and other Palestinian towns. The risk of another Goldstein being among them cannot be ignored.

The best way of reducing that danger is for the govarnment immediately to order the closure of those few settlements sited in

the most sensitive areas of Palestinian population, and to bar settlers from carrying arms ontside their own settlement areas. Responsibility for their security must rest with the Israeli army, just as it does for the Palestinian population.

Mr Yitzhak Rabin, the prime minister, has so far set his face against such measures, but they would not lack support among an important part of the electorate and among some of his cabinet colleagues. Neither need the closure of a few settlements prejudge negotiations on the wider settle mant issue, which, under the Washington agreement signed with the Palestinians on September 13, are scheduled to begin two years after the introduction of limited Palestinian self-rule in the West Bank and Gaza.

Act decisively

Mr Rabin, though cautious by nature, has shown in the past thet he can act decisively when faced by security threats. At the end of 1992 he expelled 415 Palestinians to south Lebanon, and in July he launched a week-long bombardment of southern Lebanon which cost an estimated 125 lives and drove some 250,000 people from their homes. He might reflect that extremists from within his own community can now be seen as every bit as much a threat to the ice process as those from the Arab community.
The Palestine Liberation Organi-

sation should equally be careful to maintain a balance in its own reaction to the tragedy, Mr Yassir Arafat, the PLO chairman, is justly concerned that security for Palestinians in the territories be improved, and the presence of UN observers, as agreed in the Washington accords, would be a useful step. But any attempt at this stage to force a more fundamental reas-sessment of those agreements would almost certainly be counter-

The longer-term political survival of both Mr Arafat and Mr Rabin is closely linked with their ability to conclude a successful peace accord. In the short term that will be best served by Israel taking a tighter grip on its extremists, and by the two sides completing their negotiations on an Israeli troop withdrawal from much of

The Scott inquisition

Britain's Conservativea ara nervous. They rightly fear the outcome of Lord Justice Scott's inquiry into the sale to Iraq of equipment that could make armaments. The affair has an uncomfortable feel to it, bringing on forebodings of the disquieting effects of a long period in office. There are unhappy parallela. Italy's Christian Democrats were sus-pected of links with organised crime Japan's Liberal Democrats fell into disrepute because, after a period in which they seemed destined to rule forever, they became complacent and corrupt.

Now the spotlight is on Westminster. The charges laid against certain ministers and officials are peculiarly British. None of them is accused of seeking financial advantage. Yet if the gathering storm does break it could be more damaging to Mr John Major's administration than other recent scandels and resignations. The reputations of leading Tories, not excluding the prime minister himself, are at issue. Some have promised to resign if found to have acted improperly. The essence of the indictment against them is that, in the absence of a written constitution, they have been guilty of the unthinking misuse of

Ministerial connivance

The first charge relates to "public interest immunity" (PII) certificates, which invite judges to excuse the presentation of named documents in court. Pils were signed by five Conservetive ministers to protect papers demanded at the Matrix Churchill trial. Executives of the company were accused of evading restrictions oo exports. Yet ministries, and the security services, were aware of what Matrix Churchill was doing, and connived at it. The trial judge did not eccept the PIIs. The dafeodants were released. Other judges might have acied otherwise. It looks, despite protestations to the contrary, as if Whitehall might have allowed the accused to be jailed in the interest of protecting certain documents, although many of them were not likely to damage the public interest. They

were merely embarrassing. Faced with this, ministerial witnesses have told different stories. ney general's career, is a sufficient The defence secretary said he was response.

obliged to sign the PIIs; the chan cellor that he had a degree of discretion; the social security secre-tary that he doubted that the defendants would be found guilty. On Monday the trade secretary, Mr Michael Heseltine, said that he at first declined to sign, but agreed after the wording was amended. He stated that the sttorney general, Sir Nicholas Lyell, had advised him that he must do so, but had given contradictory advice in e subsequent case. Sir Nicholas said afterwards that his advice had been consistent. It is rare for two senior members of the same government to be in such open conflict.

Altered guidelines

The second charge is that while Lady Thatcher was in office the government secretly altered the export guidelines in Iraq's favour, but hid this from parliament. It was in relation to this accusation that Sir Robin Butler, Britain's most senior civil servant, made his celebrated remarks about the necessity for governments to divide the truth into fractions, only some of which need to be revealed. To ontsiders, this seemed like Whitehall taking its omniscience more seriously than its competence might justify.

The inquiry has now run for nine months. Many distinguished witnesses have given evidence, including Mr Major, Lady Thatcher, other colleagues, and many officials. All are well able to look after themsalves. None require the protection of professional advocacy as suggested by Lord Howe, a former foreign secre tary and chancellor. Yet the view that heads must roll is gathering force. Sir Nicholas is the current favourite candidate for the tumbrils. Before deciding his future he will have his say at the inquiry. Unless he is unconvincing then. he should swait Lord Justice

Scott's report. The judge cannot design a con-stitution for Britain, but he can call for a clear statement of published rules, perhaps involving some external form of appeal. Depending on his findings, a judgment will have to be made whether a change of rules, plus the possible sacrifice of one sttor-

ndia this week altered course on the road to economic reform, abandoning the tough fiscal path it has tried to follow for the past three years, in favour of gradual structural change combined with acceptance of large fiscal deficits.

While the aim of increasing growth through economic liberalisation remains the same, Mr Manmohan Singh, the scholarly finance minister, signalled in Mooday's budget that he and Mr PV Nara-simha Rao, the prime minister, pre-fer to bypass difficulties rather than confront them. They may get away with it for s while but they could be storing up problems for the future.

The two have chosen to tolerate a higher level of public borrowing than they deemed acceptable even a year ago. They have tacitly admitted that the government, with its vast web of bureaucracy and state-owned industry, its coils of patronage, its subsidies and corruption is too big an animal to be tamed

They are gambling that the mea-sures already taken since they embarked on reform in mid-1991 will be enough to create space for domestic enterprise to grow and prosper. If they are right, then India will have shown the world how to restructure a socialist-style economy with a minimum of dislocation. If they are wrong, they risk sending the country back down a vicious circle of mounting debt, rising infla-tion and declining growth. It is possible for Mr Rao and Mr

Singh to succeed: there is growing confidence in India among domestic and foreigo businessmen; foreign exchange reserves are et record lev-els; and after six good harvests in ssion, farmers are content. But the decision to take a relaxed ettitude to public borrowing will make the country more vulnerable to external shocks such as a jump in world interest rates or oil prices, or a bad monsoon. Any of these could spark a surge in inflation, which is already uncomfortably high, running et 8.2 per cent a year after a recent low of 7 per cent. And no Indian government can tolerate high inflation for long, given the devastating effects of rising prices

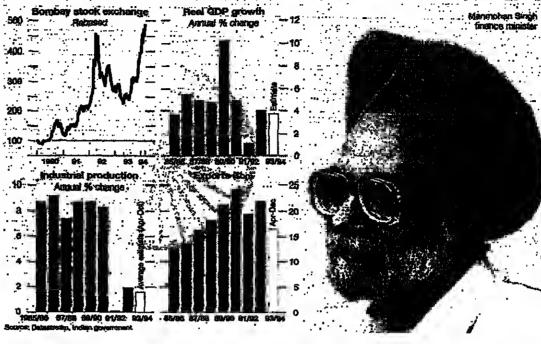
on the poor.

Mr Singh presented his budget as a calculated economic risk. The truth is that the calculation is as much political as economic. The ruling Congress (I) party faces several state elections over the next year, culminating in e general elec-tion which must be held by mid-1996 but could be held earlier if the prime minister wishes, A tough budget risked losing votes. As Mr Tapan Dasgupta, a leading eco-nomic commentator, says: "This budget is the political price for doing reform in e democracy."

Bigger burden for a stronger man

India is taking a calculated gamble on growth to offset undemanding borrowing targets, says Stefan Wagstyl

Indian economy: no gain without pain



been many indications that the government was relaxing curbs on bor-rowing - the religious unrest which followed the sacking of the Ayodhya mosque in December 1992 brought unexpected policing bills; it also hit trade, reducing customs and indirect tax revenues. Nevertheless, Monday's public borrowing figures came as a surprise. Mr Singh disclosed the fiscal deficit for the year ending March 1994 would reach 7.3 per cent of gross domestic product - compared with a target of 4.7 per cent. Moreover, the finance minister set an undemanding target of 6 per cent for the 1994-95 finan-

The government is further distancing itself from the aim it espoused in 1991 of cutting public spending in order to free resources for private enterprise. These cuts were a condition of the emergency loan India secured from the International Monetary Fund in order to stave off default in a balance of payments crisis. In practice, the government reduced the fiscal deficit greatly the loan from 8.4 per cent to 5.9 per cent of GDP - and the deficit has been creeping up ever since.

Mr Singh is now trying a different

tack - he hopes that the economy will grow, so the size of public borrowing in proportion to the econ-omy will shrink, even if it does not fall in absolute terms. The stone will be as large as it was, but the man carrying it will be stronger.

To belp stimulate growth, Mr Singh has included in his budget more measures designed to mobilise the resources of private enterprise and to encourage businesses to become more competitive with foreign companies. Deregulation remains a central feature of government policy. As in previous years, customs duties are being cut - from a peak rate of 85 per cent to 65 per cent. Duties on capital goods and materials, including steel, are being reduced sharply to encourage industry to invest in world-class plants. Indirect taxes are being pruned to reduce their complexity and generate more competition. Corporate tax rates are coming down - as is the income tax burden on consumers. to hetp boost demand

Industrialists hailed the budget for its emphasis on growth. "tt's a great budget for industry," said Mr Tarun Das, secretary-general of the Confederation of Indtan Industry, the employers' body.

Mr Singh has some good reasons

for feeling positive about achieving his target of increasing growth from an estimated 4 per cent this year to 5-6 per cent in 1994-95. After almost three years of slowdown induced by the 1991 financial crists, industry is staging a belated revival. Industrial output rose only 1.6 per cent in the first half of 1993-94, weighed down by the weak performance of heavy engineering and other sectore dependent on government orders such as telecommunications. But consumer goods companies, including vehicle and electronics manufacturers, are making significant advances in output. Exports soared 21 per cent in the 10 months to the end of January.

Moreover, India is attracting record amounts of foreign capital.

An estimated \$3bn will flow into the country in the year to the end of March 1993 - up from \$585m in 1992-93. The total includes direct investment, foreign portfolio investment and overseas capital issues by Indian compaoies. These inflows have given Iodia a good cushion against external shocks - \$13bn in foreign exchange reserves, enough for more than six mooths of imports. "It is these reserves which have allowed Mr Singh to present the budget that he has," says Mr S L Rao, director of the NCAER, an

independent economics think-tank. However the government's hopes could still be dashed if it neglects either its own housekeeping or reform. The most immediate concern is that public borrowing could rise further. "Borrowing is out of cootrol," says Mr Dasgupta, "How can those who have let it go bring it back under control?" The pressures for wasteful spending - for subsidies and hand-outs - will increase the closer the government gets to a general election.

more radical approach would have been to step up and extend the halfhearted privatisation programme, India has gone some way towards forcing a shake-up of its private sector by exposing it to foreign competition. But the government has baulked at a similar transformation of the public sector. The government is, at least, selling shares in profitable state-owned enterprises, including the State Bank of India, the largest commercial bank, and the national oil corporations. But sates are expected to be a mere Rs25bn in 1992-93 and perbaps Rs40bn oext year. Mr Rao, of the NCAER, says the buoyant stock market could obsorb Rs300bo a year. "So much more could be done with privatisation. It might produce demonstra-tions in the streets. But so what: The government is too cautious." Similarly, there is little indicatiou in the budget that the government will tackle another sacred cow of pre-1991 India - a virtual ban on

compulsory redundancy, which many potential foreign investors see as an obstacle. Mr Manmohan Singh and bis col-

leagues deny that they are going slow on reform. They point to the many useful measures in the budget and to other non-budget measures in the pipeline such as liberalisation of the insurance industry and of telecommunications. But it is difficult to avoid the

impression that they are now making progress largely in directions which does not require much blood, sweat or tears. As Mr Rao, of the NCAER says: "In restructuring, there's no gain without pain. This

Why UK suffers from lack of investment



As the UK economy embarks on its second year of "recovery", a critical issue is how much potential slack there is in tha system, Giles

PERSONAL Keating (Letters: VIEW "No evidence of narrowing output gap", February 16) correctly points out that the total rise in employment last year was more than accounted for by an increase in part-timers and self-em-ployed and, therefore, "the total number of hours of labour services used by the economy hasn't risen much during the recovery and may well have continued to fall".

In itself, "this is not evidence of a narrowing output gap", but a full answer to the question requires an appreciation of what is happening to the utilisation of plant and machinery, as well as labour.

The CBI industrial trends survey

suggests the overall position is hotting up in manufacturing. The proportion of companies reporting their present level of output as "below capacity" has fallen from 73 per cent to 57 per cent over the last some fundamental, economy-wide

year, The CBI research shows that, when companies respond to this question, they take account of labour and plant capacity. If labour is not a problem, yet companies report an increase in capacity utilisation, the implication is that the position with respect to plant capacity is tighter than appears from the

This picture is confirmed by responses to another question in the survey: "What factors are likely to limit your output over the next four months?" Responses to the "skilled labour" and "other labour" categories have remained flat at a very low leval over the last year. Response to the "plant capacity" category has more than doubled and is back to its 1970s cyclical

overall measure.

The survey shows that, prior to the 1980s, a shortage of labour was the effective constraint on the economy. Now the problem is available plant and machinery, at least at current investment rates. This picture is for manufacturing alone, which accounts for only one-quarter of national output. But if there are

reasons why manufacturing is companies of about 20 per cent.
"underinvesting" in this way, other The critical issue is the appropriareas of the economy may be simi-

An important explanation of why UK companies may be underinvest-ing was highlighted by Professor be approximated by the yield to maturity on government debt. The Dimson and Professor Marsh (Management: "Unhappy returns", February 9). They suggest companies have yet to adjust to the worldwide

The biggest mistake the market has made has been to underestimate inflation

fall in cost of debt and equity capltal. As a result, managements are demanding an excessive return from new investment projects and there is a real danger that these companies will underinvest".

Dimson and Marsh suggest that a company's true overall cost of capltal is now in the region of 11-12 per cent (after tax), compared with the more common assumption used by

ate risk premium to apply to the risk-free rate of return required by the market. The risk-free rate can maturity on government debt. The conventional way of measuring the risk premium is simply to take the extent to which equities have outperformed government bonds over some historic period. On this basis, Dimson and Marsb produce 8 per cent for the risk premium, or 6-7 per cent adjusting for the fact that a company's shares are more risky than its underlying assets. However, the historic outperformance of equities will only be a good indicator of what the market requires from them if investors more or less

correctly anticipated events. The biggest mistake the market has made in recent history has been to underestimate inflation. Hence, the total real return on long-dated gilts issued in the 1960s was zero or less. Equities, on the other hand, provide more of a hedge against inflation through their ebility to increase dividends. Unanticipated inflation has generally pushed the outperformance of equities com-pared with gilts above that required or expected by the market. In this case, the actual equity risk

premium demanded by the market is probably a lot less than the historic outperformance of equities and, therefore, cooventional practice will lead companies to assume too high a cost of capital. Indeed, the only way to make sense of current equity ratings is to assume a risk premium more like 2-4 per cent, in which case the true cost of capital is more like 8-9 per cent. less than half the common assump-

The widespread overstatement of the cost of capital in business is reason enough to explain why the UK economy generally - not just in manufacturing - suffers from a lack of investment and is in grave dan-ger of being left with a high level of "capital-shortage" unemployment.

Mark Brown

The author is head of strategy and economics at Houre Govett Securities

Jaffré in good Elf

admit to having French business heroes, then Elf Aquitaine boss Philippe Jaffré might well top the

His stubbornness lu attempting to reverse a sharp fall in profits evinces a powerful degree of Thatcherite brinkmanship. Nor is he chary of tough decisions, even if they precipitate e diplomatic incident.

A case in point has followed his latest act, that of reducing the newly privatised French oil giant's stake in a showpiece refinery in eastern Germany, It's provoked a protest letter from Chancellor Helmut Kohl to Edouard Balladur, the French prime minister.

But Jaffré is a shrewd negotiator, whose rigorous view of profitability was refined during a rapid rise through France's banking system. culminating in the chairmanship of Crédit Agricole, the country's

biggest bank. On job cuts, however, he takes a less Thatcherite line. Jaffré rejects what he describes as the "Anglo-Saxon" method of drastic staff reductions, which have been employed at rival oil companies. Instead he talks of continual change and the need to maintain morale. If unemployment results from the eastern German move, it won't be Elf that loses out.

Charity begins at home; a

Frozen out

■ A bored Eurocrat was seen to be penning a little ditty during the now extended talks on extending the European Union. It's called The Nordic Bride, and sums np the atate of play.
"When first we kissed, you said,

my dear, that you were well Your GDP, it was so clear, made

you extremely proud. But years have passed, and now you say that you are rich no more; Our union may incur delay if you appear so poor!"

Nutty nukes

■ Lord preserve us - how many more acronyms can the nuclear power industry come up with? Yesterday's report by the advisory committee on the safety of nuclear installations - ACSNI - for the Health and Safety Commission -HSC - drew on the advice of the radioactive waste management advisory committee – RWMAC - and the nuclear installations inspectorate - NIL Whoa - there's more to come. The Atomic Energy Anthority - AEA - now has a decommissioning and radioactive waste management operations

directorats, known as DRAWMOPS.



T'd rather not talk about this or my involvement with Lloyd'a'

All this should be certified by the nuclear unloading think-tank section: also known as NUTS.

Union banker

A hint of uncertainty hangs over the next clutch of appointments at the Bank of England. The Court of Governors has three vacancies, following the expiry of the terms of Warburg's Sir David Scholey, Sir Adrian Cadhury, and Gavin Laird, general secretary of the AERU engineering union.

Sir Adrian says he's had enough after 24 years; Sir David has just been made a governor of the BBC,

The second of th

so probably won't mind if he's not reappointed. But the trade union lobby is getting itself in a tizzy about who will replace Laird.

Since the Bank was nationalised in 1946, it's been a convention to have a trade union leader as a noo-executive director. Laird was appointed in 1986 by Margaret Thatcher, no less. Given the TUC's efforts to enter the modern world, surely the government will not refuse it e job for one of its boys?

Round the bend

unification. Forget the negative talk about soaring unemptoyment and chronic shortages of kindergarten places; disgruntled easterners who believe nothing has been preserved of their once prized communist state have something to boast about at last. Germany's reunited transport ministry has decided that motorists in the west will now be allowed

■ Hands up all who know 1994

is the Year of the London Taxi? You did? Then presumably you will be off to the South Bank's Purcell Room on April 25 to listen to the Licensed London Taxi Drivers' Orchestra perform some Mozart and Bach. No comments please about metre, direction, dud notes or such like.

Observer

A triumph for German

to take advantage of a traffic regulation once found only across the border. All of Germany's drivers will now be allowed to turn right at a red traffic light, provided the road is clear. "Experience in the new federal

states (that is, east Germany) shows that the new regulation can contribute in certain circumstances to the alleviation of the traffic situation," a ministry circular

If that's all the poor Ossis feel

is left of their old world, no wonder the shine has started to rub off the commemorative unification

Right chemistry?

At last Fisons gets a new finance director. Tipped as a takeover play since a profits warning in December - coinciding with the early retirement of finance director Roy Thomas and red card for chief executive Cedric Scroggs - Fisons has nominated David Hankinson as finance chappie. He's been around a bit - Fisons

will be his seventh job in 15 years and tends to end up at companies which have a record of attracting the predators. Having jumped ship at Lucas, he had hardly settled into his job at Ranks Hovis McDougail when it was taken over by Tomkins a year ago. Still, Fisons' shares moved not a jot yesterday, so perhaps the waters have calmed

Minim cabs

FINANCIAL TIMES

Wednesday March 2 1994

internet

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Israel told to start withdrawal by April 13 or risk peace talks

tdian Ozagne in Jerusalem

The Middle East peace process could collapse if Israel does not begin its withdrawal from Gaza and Jericho by April 13, the original date for completing the pul-lout, a senior member of the Palestine Liberation Organisation

warned yesterday. But Mr Ahmad Quorieh, one of the chief Palestinian architects of tbe PLO-Israeli declaration of principles, said be believed the PLO could not resume negotia-tions on implementing the declaration unless Israel agreed to discuss the future of Jewisb settlements in the occupied terri-

The PLO also wanted further guarantees by Israel for the pro-tection of Palestinians in Gaza and the West Bank.

The assessment of Mr Quorieh, a senior member of the PLO executive committee, came as Israel began freeing 500 Palestinian prisoners yesterday in a further attempt to win back the PLO to peace talks after last Friday's Hebron mosque massacre. The government also offered compensation to Palestinian victims and said up to 100 Jewish settlers

would be disarmed.
PLO leaders in the occupied territories said the gestures were insufficient. They added that Mr Yassir Arafat, PLO chairman, would have to stay away from direct peace talks with Israel for at least two to four weeks to assuage Palestinian outrage at the Hebron killings.

The PLO demands for peace talks to resume include the disarmament of all 120,000 settlers and the dismantling of some of

settlements such as Kiryat Arba the 6,000-strong Jewish community just outside Hebron where Dr Baruch Goldstein, who carried out last Priday's massacre of 43 moslems, lived.

Mr Shimon Peres, Israeli for-eign minister, said Israel could meet demands such as disarming extremist settlers and preventing their movement into some sensi-tive areas, allowing the deployment of an unarmed international force in the West Bank and Gaza Strip for a short period and increasing the Palestinian police force for Gaza-Jericho from 8,000

However, he said the govern-ment rejected PLO demands for disarming all settlers and dismantling some settlements. One or more PLO leaders are expected to fly to Washington

within days to discuss with the US administration the PLO's demands. The PLO was, meanwhile, hoping the United Nations Security Council would call on Israel to accept an "international presence" in the territories.

As the release of Palestinian prisoners got underway, clashes

erupted for a fourth day throughout the occupied territories. And in a possible sign of reprisals spreading to the west, a man described as an Arab shot three ultra-orthodox Jewish youths in New York. Although he was heard to shout "Kill the Jews,"

police said a traffic dispute may

have sparked the incident. No

fatalaties were immediately con-

Settlements forced to top of

peace agenda, Page 4 Editorial Comment, Page 15

Central bank expects gentle upturn as business confidence stops weakening

Japan's recession may be 'near bottom'

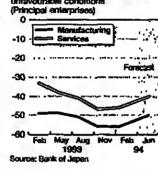
By William Dawkins in Tokyo

lanan could be near the bottom of its protracted recession, the country's central bank said yesterday in its latest quarterly survey of husiness conditions.

Business confidence has stopped weakening and the climate is expected to improve, the Bank of Japan said in its Fehruary survey of more than 10,000

companies.
The Tankan index of manufacturers' confidence stagnated at minus 56, the same as in the previous survey in November, staying at the lowest point in the downturn since May 1991. The index, which gives the percent age balance between companies reporting favourable and poor conditions, is forecast to recover slightly to minus 50 hy June. Service industries' confidence, meanwhile, picked up a fraction slightly to minus 46 from November's record low of minus 47.

A "gentle" economic recovery is expected some time during the fiscal year starting next month, % difference between favourable and



stimulate spending and invest-

to 10,000.

If US president Bill Clinton succumbs to pressure for trade sanctions against Japan, the consequent rise in the yen would delay recovery prospects, they warned. The yen stood at about Y109 to the dollar when the survey was taken, against Y104 in recent

"Japan's economy is braindead. There is no pulse, but at least that is better than seeing the readings fall lower," said Mr Kenneth Courtis, senior economist at Deutsche Bank Capital Markets Asia. "It is at least as bad as the last

survey and some of the indices are even worse," said Mr Robert Feldman, director of economic research at Salomon Brothers Conditions have worsened for

small manufacturers - usually an early warning of changes in trend - where the index fell from minus 45 to minus 48. The bal-

The momentum for peace is being reflected on the ground,

although with varying degrees of success. Yesterday the Interna-

tional Red Cross secured the

release of 400 prisoners in the

western city of Mostar, which

had been besieged by Croats for several months. The ceasefire,

which began last Friday, was

last night still generally hold-

The United Nations High Com-

missioner for Refugees also

resumed aid convoys and human-

capital Sarajevo.

of sniper fire.

itarian flights into the Bosnian

However, Lieutenant Colonel Bill Aikman, the UN spokesman

in Sarajevo, said Bosnian govern-

ment forces were digging new

trenches and there were reports

while those with surplus staff

rose from 26 to 28. Meanwhile, respondents said they were planning to cut capital investment by an estimated 92 per cent in the current year to the end of this month, and again by 45 per cent next year, marking three years of decline.

There were some encouraging signs in the survey, the Bank of Japan said, but not enough to amount to clear evidence of the recovery. Large manufacturers, outside the oil industry, expect pre-tax profits to fall 29.7 per cent in the current fiscal year, the fourth year of decline, but to recover by 11.4 per cent in 1994.

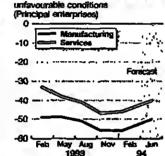
Japan's snspected credit squeeze may be easing, on the strength of an increase in the balance of companies to report that banks were being helpful in their credit stance. Other good signs include a two-point fall, to 30, in the proportion of large manufac-turing companies with excess

stocks of unsold goods. This is most marked in the consumer

Continued from Page 1

ing reporters' questions. "I came in high spirits and I leave in higher spirits. I feel very warm inside," said Mr

accept any delay. However genuine the commit ment to seek a substantive deal, both sides were clearly keen to use yesterday's accord to avoid



said Mr Kagehide Kaku, the bank's head of research and statistics. The Tankan survey is the most authoritative gauge of the short-term husiness outlook and an important influence on mone-

But several private sector economists feared the central bank was optimistic, and said a cut in official discount rates, widely ance of manufacturers reporting expected, was still needed to excess capacity rose from 32 to 35

electronics industry. South African

Chief Buthelezi implied that Inkatha would seek an extension of the election period - possibly by delaying the poll in the Zulu heartland Natal while proceeding with the national election elsewhere on April 27 as planned. The ANC is unlikely to

Croats and Moslems closer to alliance

Continued from Page 1

posal for a union of the Croat and Moslem areas of Bosnia. It would be divided into Swiss-style cantons, with some kind of economic confederation with neighbouring Croatia.

While the plan does not

address the Serb-held areas of Bosnia, US officials hope it may put further pressure on the Bosnian Serbs to make peace.

The US has offered both carrot and stick to Croatia as an induce-

ment for ending the fighting

between Croats and Moslems in

central Bosnia. While threatening economic sanctions on Croatia, officials have also held out the hope of loans from international financial institutions.

In Moscow, Mr Kozyrev hailed the agreement with Mr Karadzic as a "hig step" in a Russian peace Initiative launched when President Boris Yeltsin persuaded the Serbs to heed the Nato ultimatum for pulling back

its heavy artillery from around Sarajevo. In a statement issued after the accord, Russia said: "This posttion of the Bosnian Serbs is based on the fact that Russian observers will take part in monitoring the non-military use of [Tuzla]

However, Mr Karadzic admitted the talks had been difficult. He said Russia could help the Bosnian Serbs save face, although it was "difficult to find good solutions and bonourable peace for all sides".

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election deal

blame for future violence.

Europe today

the north and mild weather in the south will continue to bring overcast skies and some snow to Denmark and northern Poland. Scandinavia will be dry and sunny as high pressure moves east. A frontal cone. associated with a complex low pressure system near losland, will give south-we Norway snow, rain and near gale force southern winds. The Benelux and western France will have cloud and rain. High pressure will keep the Mediterranean dry with sunny penods, especially in southern Portugal. Low pressure over the Balkans will produce cloud and showers, though temperatures will be quite high.

Five-day forecast

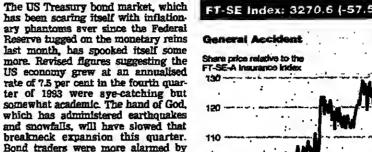
High pressure over Scandinavia will move turther east. A westerly airflow will give unsettled but mild conditions with intermittent strong winds in western Europe and southwestern Scandinavia, South-western and southern Europe will remain sunny and dry. Central Europe and, later this week, south-eastern Europe will have changeable weathe with snow in the Alps and showers in the

TODAY'S TEMPERATURES



Yielding to pressure

THE LEX COLUMN



the latest purchasing managers' price index, which showed a second consec-utive monthly rise. Such figures emphasise how quickly disinflationary pressures are abating but they do not yet confirm that an inflationary trend has asserted itself in the real economy. The purchasing managers' index can be an unreliable predictor of consumer price inflation. The rise in some commodity prices will be partly offset hy the continued weakness of oil. Consumer confidence and employment levels remain weak. The bond market may therefore be over-reacting to inflation fears but may still be right to anticipate a fur-

ther monetary tightening.
European bond markets are being buffeted by the US turbulence even though yesterday's developments strengthen the argument for a decoupling. The output gap in many European economies will widen this year, creating scope for further interest rates falls. But it would help if the Bundesbank had been bolder in cutting its money market repurchase rate hy more than 3 basis points.

General Accident

It is curious that General Accident's shares should rise against the trend of a market led lower by US bonds. True, full year profits were at the higher end of market expectations. But with almost half its assets in North America, GA is unusually geared to US treasuries. Jitters in world bond markets have shaved 2 percentage points from the group's solvency margin since the year end. With solvency comfortably over 50 per cent, GA is hardly starved of capital. Yet a dividend equivalent to 5 per cent of shareholders' funds and covered only 1.8 times by earnings is a heavy burden. Should the bear market in bonds take hold, GA might find it difficult to increase the pay-out as fast as shareholders would like.

That is all the more reason to hope that the earnings recovery continues.

FT-SE Index: 3270.6 (-57.5)

There should be more to come in the UK as premium increases already announced flow through into profits. GA's willingness to him away motorists also suggests some sincerity about underwriting for profit at the expense of market share. Yet the bigger challenge now lies in the US and Canada, where underwriting losses amounted to £188m last year. The US in particular will be a tough nut to crack since

GA lacks sufficient weight to influence market rates. Without a rise in insurance rates across the US market, GA can only increase premiums unilaterally even if that means losing husiness. Whether that will be enough to bring about decent profits remains an open question. The 20 per cent premium to net asset value at which the shares now stand demands no less.

Abbey National

Had Ahbey National been determined to stick to its previous target of three times for dividend cover, its payment might not have increased at all this year. As it is, the 22 per cent increase, which is broadly in line with earnings growth, is a welcome admission that it has enough capital to be going on with and does not need to retain every last penny of earnings. The desire to avoid huilding up surplus capital is perhaps a signal that the bank is more interested in boosting return than in further expensive attempts at diversification for its own sake. That is also good news after its embarrassing excursions into estate agency and French commercial lend-

Yet Ahbey's dividend cover of just

2.1 times is at the bottom of its new target range of two to three times. That is in line with other banks that have also paid large dividend increases, but it suggests something of a struggle to reach the top of the tar-get range by the peak of the cycle. Special factors, including a lower

tax rate, will boost earnings this year. Continental provisions should fall sharply and the cost of getting out of estate agency will not be repeated. Less certain are the prospects for oper-ating profit. Abbey expects the contri-bution from insurance to increase substantially. But mortgage margins may narrow as interest rates stop falling, and treasury profits will grow more slowly. Abbey's dividend increase looks like a one-step jump, even though low inflation reduces the need

GKN/Westland

Westland's defence document is notably short on pictures of hurning hridges. Perhaps that is because GKN will hold 45 per cent of Westland's shares even if the bid fails completely. So whatever the outcome, the two companies will have to live together. Yet while Westland avoided rough and tumble, it did not cede much to GKN either. The gentlemanly nature of the campaign may not be sustainable if both sides become entrenched. Westland's defence rests firmly on

prospects for EH101 orders and the possibility that the Apache will become the next British Army attack helicopter. Veterans of the 1985-86 capital reconstruction will remember that large claims were made for the Black Hawk, and the orders never material ised. Still, while there are risks in relying on projections to the year 2000, Westland's new management has a good track record. Loyal shareholders may wonder why, having waited so long, they should grab a hird in the hand now when there could be more than two in the bush. There is a case for supporting Westland, at least until It fails to meet its projections,

The was a supplied to

GKN's best point is that it could bolster Westland's strong but small balance sheet. Customer stage payments should cover Westland's work ing capital needs, but there is little margin for error. With Westland's shares 15 per ceot above the offer, the market clearly thinks GKN is going to have to pay substantially more for victory. Whether GKN is prepared to raise its offer and its gearing enough is another question.

UP TO THE PACE



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IN BRIEF

Krupp-Hoesch to fight cartel office

Krupp-Hoesch, the merged German steel and engineering group, plans to fight an order by the German federal cartel office to sell part of its vehicle spring manufacturing capacity. The company said it would challenge the ruling by the competition authorities that it must sell its vehicle spring manufacturing division at Krupp Bruninghaus because of its dominant position in the market. Page 18

Abbey National Increases 25% to £704m Abbey National, the UK banking group, yesterday announced a 25 per cent increase in pre-tax profits for 1993 to £704m (\$1.1bn). The board is recommending an increase in the full-year dividend of 22 per cent to 14.0p per share. Page 18

General Accident Insurance recovery General Accident, the highly rated composite insurer, yesterday provided further evidence of the recovery in the UK general insurance market by posting its highest ever profit figures. Pre-tax profits last year amounted to £294.9m compared to a loss of £29.3m in 1992. The final dividend was increased by 4.4 per cent to 17.8p per share, making a total of 27.5p for the year (28.75p).

NEC-Samsung plan Joint memory chip NEC of Japan and Samsung Electronics of South Korea, two of the world's largest memory chip manufacturers, plan a joint development of nextgeneration memory chips, expanding their existing co-operation agreements, NEC said yesterday.

World awaits the second Chinese wave The second batch of China state-run companies for overseas listings is likely to hit Hong Kong in July, about a year after Tsingtao Brewery, producer of the only internationally known Chinese beer, made its trail-blazing debut. Page 20

Revival in UK fleet cars assists T Cowie The revival of the UK fleet car market, coupled with lower interest costs, helped T Cowie, the car leasing, motor trading, bus and tractor group, post a 56 per cent increase in pre-tax profits last year to £38m. The pre-tax profit increase, from £24.3m in 1992, was ahead of market expectations. Cowie's shares closed at 331p up 7p. Turnover grew by 32 per cent to £799.8m (£605.9m) including £148m generated by the Keep Trust motor group of 18 dealerships acquired in May last year, turning Cowie into the fourth largest UK motor retailer.

Sri Lankan planters thirst for privatisation Sri Lanka's tea and rubber industries, two chief export sectors, have done remarkably well in the first year of partial privatisation and President D.B. Wijetunge is keen to move on to the next stage. But there are political obstacles. Page 26

Europe's "Most Respected Companies" Senior European company executives are being invited to "vote" for Europe's Most Respected Companies in a new survey by the Financial Times in association with Price Waterhouse. Business leaders will be asked to nominate companies in their particular sector based on seven specific qualities. Page 10

25 Murray Income Tst

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THE FINANCIAL TIMES LIMITED 1994

Growth in mobile and fixed telephone divisions restores Finnish group

Nokia returns to profit and lifts payout

Nokia, the Finnish tele-

communications group, yester-day reported a surge back to profit as high growth in its mobile and fixed telephone divisions produced a pre-tax profit in 1998 of FMI.15bn (\$209m), com-pared with a FMI58m loss in 1992.

It is increasing its dividend to FM2.80 a share from FM2.00. However, the group, the world's second largest supplier of mobile telephones after Motorola of the US. announced it was withdrawing from manufacturing picture tubes in a bid to stem losses in its troubled consumer electropics hasine

It included a charge below the line of FM1.9bn mostly to cover the costs of the move, leaving a net loss of FM1.15bn, compared with a uet loss of FM723m in

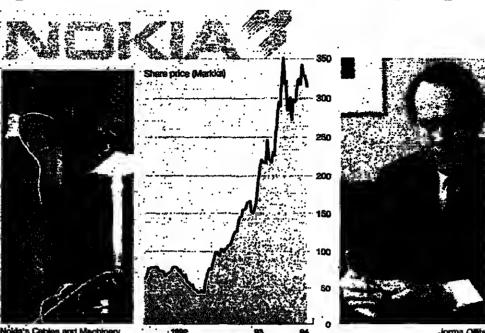
Mr Jorma Ollila, chief executive, said consumer electronics losses, at FM747m in 1993, Efforts to find a partner or buyer for the picture tube mak-ing had so far failed. The decision to close will mainly affect Nok-ia's Esslingen plant in Germany which it modernised last year at

Nokia said it would continue to make televisions as these were important in developing interac-tive communications and multimedia products, but it would buy in picture tubes.

The problems in consumer

a cost of FM200m.

electronics contrasted with Nokia's fast growth in telecommunications. Overall group sales were FM23.7bu, compared with FM18.12bn, whila research and development costs rose to FM1.47bn from FM1.13bn. Operating profits jumped to FM1.46bn from FM288m.



Most of Nokia's activities are outside Finland and the company is applying for a listing on the New York Stock Exchange, the first Finnish company to do so.
Sales in the mobile telephone division surged 73 per cent to FM6.3bu from FM3.6bn. Nokia said sales of digital cellular telephones took off in 1993 and were

expected to continue to grow rap-

idly, but it said demand for the older technology aualogue systems remained strong. Operating profits for mobila telephones more than doubled to FM950m from FM437m

nications division grew 43 per cent to FMA.6bn, while operating profit more than doubled to ery division reported slower sales to FM261m.

Sales in the fixed telecommu-

growth, pushing up to FM4.9bu from FM4.6bn, but operating profits here again more than doubled Nokia was confident of sustain-

ing the rapid rate of sales growth it exploited growing markets, especially in Germany, the US

Westland attacks value of hostile bid from GKN

By Tim Burt in London

Westland, the UK's only helicopter manufacturer, yester-day dismissed a £496m (\$724m) hostile bid from the engineering group GKN as "absurdly low". The Yeovil-based company said the takeover bid, launched last

month, undervalued its growth prospects and £1.4bn order book. Launching Westland's formal defence document, Mr Alan Jones, chairman, said: "There is no logic in linking with an engineering conglomerate, focusing on the automotive and industrial services sectors. The way forward for us is through collaboration with other helicopter manu-

Nevertheless, GKN remains in e strong position, having raised its existing Westland stake to 45 per cent with the purchase of an 18.7 per cent holding from United Technologies, the US parent of Sikorsky belicopters. The Midlands-based group,

which justified its bid by claiming synergy between helicopters and its own armoured vehicles division, has offered Westland shareholders 290p cash per share. The bid values the whole group

Mr Jones claimed GKN's offer document suggested that 44p of the price related to a £385m payment due to Westland from the Arab Organisation for Industrialisation (AOI) for alleged breach of contract. This meant that the GKN offer valued Westland's underlying business at only 246p

That is equivalent to 21.4 times historic earnings, which undervalues the company. The overage price earnings multiple for UK serospace manufacturers 34," said Mr Jones.

Sir David Lees, GKN chairman, said the earnings multiple figures were "meaningless" and warned there was no guarantee that the AOI would pay the damages.



Alan Jones: 'no logic in link'

There is nothing new in this defence. We expected something about firm orders. It's a very thin

He also questioned Westland's claim that the value of its helicopter deliveries could rise from £10m this year to £360m by the year 2000. "They've admitted is almost 60 per cent higher at some of these potential orders may fall away entirely. There is only one firm order for this year and two for 1995."

Westland's share price closed unchanged yesterday at 331p. Lex, Page 16

Salomon Brothers to advise UK on debt disposals

By Tracy Corrigan in London

The UK Treasury has appointed Salomon Brothers International to advise on disposals of its remaining holdings of debt in privatised UK companies in the next financial year.

"It is the first time that Salomon

Brothers has been swarded a senior role by the UK Treasury since it was ditched from the second tranche of the British Telecommunications privatisation, after being involved in a US Treasury suction scandal in 1991.

A spokesman for the Treasury said it had taken the unusual step of appointing a non-UK bank because Salomon "gave us the best presentation".

The Treasury sold £1.3bn through a complex auction, arranged by Barings, in which 13 privatised companies were invited to hid to buy back their debt. Outside investors were allowed to compete for BT debt.

The government still holds a total of £2.86bu of the debt -£1.22bn of BT dabt and £1.64bn of electricity debt - left on the companies' balance sheets at the time of privatisation. However, some of that debt is very short-dated and unlikely to be sold.

Salomon will advise the Treasury on which and how much debt to sell, and how to sell it. In his November budget, Mr Kenneth Clarke, UK chancellor. said that the government aimed to raise £5.5bn in privatisation proceeds in the next financial year. The debt sale will allow the government greater leeway in the timing of further electricity privatisation offerings.

However, one difficulty in selling the debt is that, with coupons of more than 12 per cent - much higher than current market yields - It would have to be priced at a premium of around 30 per cent to its notional value, which could make it unattractive to potential buyers.

Brussels positive on Bull financing

By John Ridding in Paris

Mr Karel Von Miert, the European competition commissioner, yesterday gave a positive response to outlines of a restructuring and privatisation plan for Groupe Bull, the loss-making Freuch computer

After a series of meetings with Mr Jean-Marie Descarpentrles. the Bull chairman, Mr Gérard Longuet, the industry minister, and Mr Edouard Balladur, the French prime minister, Mr Van Miert said he bad been "impressed by Mr Descarpen-tries' ideas and commitments".

Dariug the meetings, the French government agreed to freeze 9 tranche of FFr2.5bu (\$431m) of state aid for Groupe Bull pending the European Commissiou's decision on the group's recapitalisation.

The FFr2.5bu is the final tranche of a FFT7bn capital increase announced last year by the French government.

Mr Van Miert is duc to receive a final version of Bull's restruct-uring plan within the next few days. He said a decision on the plan could be reached by the summer, and would oot take more than six months.

Brussels' decision is regarded as crucial to the recovery of the group, which has lost more than FFr15bn over the past four years as a result of depressed markets, high costs, and inefficient man-

The French government has said the capital injection is a necessary final payment to allow the group to be privatised.

Mr Descarpeutries aims to reduce the state's 76 per ceut shareholding in Bull to below 50 per cent this year,

He plans to achieve this through an increase in employee shareholdings and the participation of industrial partners in the company's capital. NEC of Japan, which holds 4.4 per cent of Bull's shares, is seen as o potential candidate for a larger stake in the

Other measures aimed at returning the computer group to profit include cost-cutting and productivity measures.

According to the plan, productivity is to be increased through profit centres and tighter reporting procedures. Non-salary costs, such as rents, are to be reduced through the sale of most of the company's Paris sites. Industry's hope, Page 3

Barry Riley

Currency: the risk that can appear benign



facturers."

If Mr George Soros exposure wrong to the tune of \$600m, as he has admitted to hava done on February 14, should the everager be getting involved with the

activa management of foreign exchange positions?
There is an odd contrast here between US and British pension funds. The Americans are increasingly drawn to the sepa-rate management of inreign exchange exposures — on some estimates a quarter of US pension funds are already using so-called currency overlays. British pension funds, in contrast, are

inclined to leave investments in

foreign currency securities unhedged, except in unusual circumstances. The feeling that dealing in securities counts as investment but trading in currencies is speculation is deeply ingrained. It is reinforced in the UK by the risk that currency gains unrelated to holdings of securities might be

taxed as profits from trading.

There is a theoretical reason, too, why currency exposure is different. Whereas investment in, say, bonds carries a particular level of expected return (and an investment in equities brings the reward of 9 rather higher return, because of the risk premium) the expected return from holding currencies is zero. A currency index fund will give no return over extended periods. Although some currencies have proved to be consistently strong and others consistently weak over the long term, these shifts have been off-

that currency trading can never be profitable. That may happen when central banks are intervening, as happened in summer 1992. But although Soros made big gains then, he has found it much trickier in freely floating condi-tions and, in the recent politically volatile circumstances of

the dollar and the yen. Over short periods, investment returns on securities have a substantial currency element, as much as 40 per cent of the annual

The feeling that dealing in securities is investment but trading in currencies

is speculation is deeply ingrained returns in dollar terms. Therefore

a hedging strategy will be attractive if it reduces volatility. US pension funds are sensitive to short-term volatility because their corporate sponsors are more directly subject to market related valuations. There is also a particular problem with the dollar: a volatile currency which tends to move in a similar direction against most other currencies at any particular time.

whereas sterling often tracks 9 more moderate course between the dollar and other European currencies such as the D-Mark. A further structural factor is that US plan sponsors are used to layers of specialist managers. Currency managers can easily be added on. In the UK, however, balanced managers remain dominant. Trustees are inclined to

including currencies. But the cur-rency decisions are not usually very well handled. Most British fund managers have been very bullish of the dollar throughout the past year, for instance, to no

British managers are focused on equities, where the assump-tion has been that local market returns are inversely related to the strength of the currency: devaluation, for instance, boosts share prices. Hedging is therefore less important, especially from the perspective of a sterling investor, who is accustomed to regular currency gains in his

portfolio returns. Things look different to a bond manager. Currency returns are more easily divorced from domestic bond returns and separate management of the currency and interest rate risks is more naturally embraced. True, the returns tend to be positively correlated: weak currencies encourage fears of inflation and undermine domestic bond prices. But this is not universally true: bond prices, for instance, soared in the devaluing European countries after September 1992 because the dan-

ger of soaring fiscal deficits was seen to be reduced.

It is slightly strange that UK funds, which have an overseas exposure of some 30 per cent, are less worried about currency risks than US funds, with an exposure which may be about 6 per cent on overage at present (albeit rising).

But the currency impact on UK funds, most notably in late 1992, has been perceived as benign. It will probably take a shock, in terms of large, evoldable currency losses, to trigger UK pen-

and the companies of the employees of the second of the contraction of

December, 1993



International Business **Machines Corporation**

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IBM SEMEA SpA

has acquired a 24 per cent interest in and has further options to acquire a majority of

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> The undersigned acted as financial advisors to IBM in this transaction

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ABSA Merchant Bank

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Krupp-Hoesch to fight cartel office over unit sale

By Quentin Peel in Bonn

Krupp Hoesch, the merged German steel and engineering group, plans to fight an order hy the German federal cartel office to sell part of its vehicle spring manufacturing capacity. The company said it would challenge the ruling by the competition authorities that it must sell its vehicle spring Krupp Bruninghaus because of its dominant position in the

An agreement to dispose of the division was an important part of the deal negotiated by Krupp-Hoesch with the cartel office in April, 1992, in order to get the go-ahead for the total merger of the two sleel groups. However, just before the deadline to do so expired in December last year, the com-

pany served notice of cancella-tion of the agreement, arguing

that conditions in the market The cartei office in Berlin

announced on Monday that it was not prepared to accept the unilateral cancellation, and ordered Krupp-Hoesch to sell The division, or it would appoint an independent trustee to do so on its behalf. The office said a merger of

the vehicle apring manufacturing capacity of Krupp Brüninghaus with Hoesch-Federn would raise the danger of the combined enterprise having a dominant market position. The two logether would cootrol more than 60 per cent of the market, with a turnover of betweeo DM600m-DM700m (\$353m-\$412m).

Krupp-Hoesch maiotains that because of a slump in demand for its suspensions from the motor industry, the two vehicla spring divisions between them lost more than DM50m in 1993. tt said if one of the two divisions was sold, the other could no longer sur-

The conditions of competition in the automobile sub-contracting industry have changed so much since the original agreement was reached that there is no longer any reason to fear the emergence of mar-ket domination," according to Krupp-Hoesci

The cartel office argues that other companies are still sur-viving in the industry, many of them small or medium enterprises with a much smaller

It accepts that the motor industry has reduced its orders because of the current reces-

Krupp-Hoesch will now take the case to the superior court in Berlin, although a delay of several mooths is likely before any decision is taken.

General Accident posts record profits and increases dividend

By Richard Lapper in London

General Accident, the highly rated composite insurer, yes-terday provided further evidence of the recovery in the UK general insurance market hy postiog its highest profit

Pre-tax profits last year amounted to £294.9m (\$447m) compared with a loss of £29.3m. in 1992. The final dividend was increased by 4.4 per cent to 17.8p per share, making 27.5p for the year against 26.75p.

Like Guardiao Royai Exchange, Royal Insurance and Commercial Union, all of which reported large pre-tax profits last week, GA's turnround hinged on an improve-ment in the UK, where under-writing profits of £59.7m for the year - and £32m for the fourth quarter - were reported.

"As anticipated, our early action on rates and operating costs has produced a very significant recovery in operating performance," said Mr Nelson Robertson, chief executive. Mr Robertson said a "deter-

profit and not volume has had very considerable impact oo profitability across the whole portfolio.

Uoderwriting profits in the motor sector amounted to £11.1m against a loss in t992 of £46.8m and premium income increased by 4.8 per cent to £252.7m. However, the company reduced its policies to 660,000 from 750,000, Mr Boh Scott, general manager UK. said this reflected a planoed reductioo in exposures to non-

comprehensive policles. Overall UK premium income increased to £1.38bn compared with £1.25hn.

Elsewhere, results in the US where GA obtains 32 per cent of its premium income improved with underwriting losses falling to £t40.4m from £210.5m. However, Canada, where GA is the higgest player following an acquisition last year, produced higher underwriting losses, up to £44.1m against a loss of £18.7m.

Mr Robertson said GA had benefited from a reduced level of catastrophe losses in the US, mination to underwrite for hut had heen hit hy storm strengthen reserves in Canada. The company is keep to expand in the Pacific - where has a market share of between 5 per cent and 7 per cent in Malaysia, Hong Kong

and Singapore. Mr Robertson said the balance of the group's eccount could shift towards North America and the Pacific. There is nothing in our plan which says the UK has to provide us with a third of our total income."

The company has some capital which it could use for expansion, following a strengthening of its halancs sheet. Its solvency margin net assets as a percentage of non-life premiums - amounted to 57.4 per cent at the end of December 1993, compared to 41.5 per cent a year earlier. Overall general premium

incoms rose to £4.18hn from £3.83bn. Life husiness premiums amounted to £866.1m compared with £790.4m while investment income rose to £509.1m from £504.9m.

Abbey **National** rises 25% to £704m

By Allson Smith in London

Abbey National, the UK hacking group, yesterday announced a 25 per cent increase in pre-tax profits for t993 to £704m (\$t.thn), from

The board is recommending no increasa in the full-year dividend of 22 per cent to 14p per share

Lord Tugendhat, Abbey chairman, said that given the good results and tha good prospects for the group, the poard had moved away from its earlier aim of dividend cover of three times or more. and concluded that cover of between two and three times was appropriete. The recommended 1993 divideod is covered by earnings 2.1

The greatest proportional profit rises came from the group's treasury and life assurance operations, while the core UK retail hanking business rose 14 per cent to

£618m. Pre-tax profit from the treasury operation rose to £t45m. from £100m, while the profits from Scottish Mutual, the life assuraoca erm, and from Abbey National Life, which hecama operational only in February 1993, rose to £61m compared with £39m.

The group's continectal Enropean and offshore operations incurred a pre-tax ss of £t05m, compared with a loss of £46m in 1992, largely because of the steep increase in provisions for commercial lending in France.

Provisions for the European husinesses rose aharply to £99m from £47m, while provisions for UK operations fell to £119m from £227m. The sale in Anguat of the Cornerstone estate agency featured as an exceptional loss of £30m.

Net mortgage lending rose to £3.2bn in 1993, from £3.5bn. However, Mr Peter Birch, chief executive, did not expect the group's 18.5 per cent share of the UK mortgage market in 1993 to be repeated in the coming year, and said it was likely to drop to its previous 12 per cent to 14 per cent share.

Bank Austria bids for GiroCredit

By Patrick Blum in Vienna

Bank Austria, Austria's largest bank, is hidding for control of GiroCredit, the savings banks' clearing institution and a leading commercial bank in its own right.

The object of tha move . equivalent to an unfriendly takeover bid - is to force a restructuring of the savings

The hid is heing made through Anteilsvarweltung Zentralsparkasse, BA's higgest shareholder and holding company of the former Zeotralsparkasse, the Vienna city savings bank now merged into BA, which is offering to buy Giro-

Credit shares from savings hanks across the country.

It is offering a mixture of Sch370 cash per nominal Sch100 GiroCredit share and/or the equivalent of Sch400 per Sch100 nominal GiroCredit shares in BA bearer stock. The offer expires oo 18

March. Baok Austria owns just under 31 per cent in GiroCredit. It aims to buy at least another 20.4 per cent of Giro-Credit's ahares to raise its ahareholding to above 50 per

BA's announcement came as a surprise, and it follows several earlier unsuccessful attempts to restructure Giro-

Credit and the savings banks

sector. Leading savings banks from Salzhurg, Linz and Graz responded cautiously to the

hid, saying they would have to look at the offer in detail and compare it to an earlier plan put forward hy BA for a restructuring of the savings This sntailed selling about

two-thirds of BA's holding in GiroCredit to a consortium comprising the Erste Oesterrel-chische Spar-Casse, the second ergest savings bank, Austria Collegialität Versicherung, a leading insurance company. and the savings banks.

cent. But this plan - which had a February deadline - was abandoned following disagreements over price. All the savings banks including the Erste Spar-Casse which

about 21 per cent of GiroCredit

was to huy a further 10 per

refused the original plan, are due to meet today to discuss their response to the takeover hid from BA. • Union Bank of Switzerland

is making an agreed takeover bid for Regiobank Beider Basel (Regio Bank), a northern Swiss regional bank, Reuter reports from Zurich.

Regio has a balance sheet of SFr2.5bn (\$t.7m) and about 200

Bellsouth in Spanish venture

By Tom Burns in Madrid

Bellsouth, the US telecommunications group, has added Spain to its expanding European husiness by forming a local consortium to bid for a second cellular phone licence to be awarded later this year hy the Madrid government.

The consortium, called Reditel, allies the US group to Repsol, the Spanish state-controlled energy conglomerate, two construction companies and to eight savings banks. Bellsouth will have a 25 per

cent stake in the venture and Repsol 15 per cent. Reditel is one of several alli-

tors with domestic companies. formed in the past year ahead of the liberalisation of Spain's elecommunications industry. Rival consortia seeking a mobile phone licence include GTE of the US and the UK's

The government is expected to publish the tender requirements for operating digital service cellular telephones within the cext two months. Two licences are to be awarded, one of which will be reserved for Telefonica, which is 32 per cent state owned and is the monopoly telecommunications opera-

tor in Spain. A mobile phone service that ances, mixing foreign opera. Is already operated by Telefon-

ica, using 450MHz and 900MHz cellular radio networks, is earning the Spanish group about Pta12bn (\$85.7m) in oper ating profit on a Pta100bn turn-Local analysts said Spain's

cellular system could hava 1.8m subscribers by 1998, compared with 254,000 at present. "Our emphasis is on the cellular business hut we will be looking closely at other areas as they become available," Mr George Von Open, Bellsouth's

chief executive in Spain said. The US group participates in mohile services in Denmark, France in Germany and is hidding, as part of a consortium,

for an Italian licence.

BCI offer closes three days early

The public offer in Banca Commerciale Italiana, one of Italy's leading banks, closed last night, three days ahead of schedule - confirming the success of the government's privatisation programme.

The shares went on sale on Monday at L5,400 each. There were indications last night that only about a quarter of the 1mplus people who had applied for shares were likely to receive any.

In total, 260m shares were available to private investors. However, IRI, the state holding company which was disposing of its entire 54 per ceot stake in the bank, placed a further

240m shares with institutions. On the Milan stock exchange last night, BCl closed slightly lower at L6.026 amid heavy turnover.

Trading in the shares on sale in the public offer begins on March 17. The heavy subscription fol-

lows similar strong demand for two earlier privatisation IRI raised almost L1,750hn

(\$1hn) hy selling its stake in Credito Italiano in December and the government received almost L2,400bo from shares in Istituto Mobiliare Italiano, the financial services group. · Credito Italiano, the Italian bank privatised last December.

reported a 4.9 per cent increase

in net profits to L218.6bn for 1993 as tax charges more than doubled to L640bn.

During a year in which banks saw a sharp fall in interest rates, Credito's gross operating income rose 86 per cent to Lt,574hn. Interest income was up 11 per cent at L2,532bn whila fee income more than doubled to L1,351hn.

 Banca Ambrosiana Veneto (Ambroveneto) yesterday rsported gross operating income of over L790hn for last year, up 11 per cent on 1992.

The Milan-based bank, which will reveal net profits later this month, said the outcome reflected its strategy of developing customer services, thus lifting non-interest income.

Cost-cutting helps Valmet turnround

By Hugh Carnegy

Valmet, the Finnish paper machinery and engineering group, said yesterday produc-tivity and cost-cutting gains had helped it return to profit in 1993. Profits after financial items were FM100m (\$18.07m) compared with a loss of FM298m in 1992.

Unspecified axtraordinary charges of FM154m, mainly write-offs associated with rationalisation moves, resulted in a pre-tax loss of FM54m, but this was a sharp improvement over the pre-tax loss of FM219m in the previous year, Valmet said it would show a net profit of FM85m when its annual report was published later this month, compared with a net loss in 1992 of FM120m, although details were

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Wall Carries

not given. Group sales were up 11 per cent to FMt0.7bn compared with FM9.6bn in 1992, thanks in part to the fall in value of the Finnish markka last year. More than 80 per cent of Val met's sales were outside Finland, mainly in western Europe and North America. Operating profit Improved

sharply to FM479m from FM171m. Valmet said its internal rationalisation programmes. coupled with the prospect of more stable markets in the forestry industry, should produce a further improvament in



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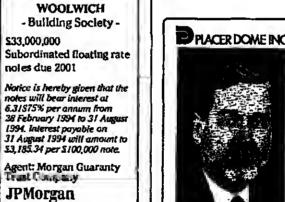
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TRANCHE NO.1 Notice is hereby given that for the interest period 1 March 1994 to 1 June 1994 the notes will bear interest at 21,75% per annum. Interest payable on I June 1994 will amount to FF27, 791.67 per FF500,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

Mortgage Funding Corporation No 2 Plc \$1t5,000,000 Class B-1 \$1 t,000,000 Class 8-2 Mortgage backed floating rate notes August 2023 For the interest period 28 February 1994 to 31 May 1994 the Class B-1 notes will bear interest at 5.5125% per annum. interest payable on 31 May 1994 will amount to \$1,389.45 per \$100,000 note. The Class B-2 notes will bear interest at 3.03/3 per annum, mieresi payable on 31 May 1994 will inf to \$1,433.56 per \$100,000 note.

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John Willson, Presiden and Chief Executive Officer of Placer Dome inc., announces the formation of Placer Dome Latin America Limited (PDLA). based in Santiago, Chile, with Jay K. Taylor as President and Chief Executive Officer. PDLA is responsihle for Placer Dome's acquisition, mine development and operating activities in South and Central America south of Mexico. Growth of PDLA is expected to come from an aggressive exploration programme under way throughout its jurisdiction, as well as from acquisition opportunities. Mr. Taylor was previously Executive Vice-President and General Manager of Placer Dome Sud America, the predecessor of PDLA, Mr. Taylor is an engineering Canada, and has been with the Placer Dome organizahon for 21 years in British of Vancouver, Canada, is mines, in six countries.



graduate of the University of Brilish Colombia, Columbia and South America, Placer Dome Inc. an international mining company which operates 17 mines, 13 of them gold

Residential Property Securities No. 1 PLC £200,000,000

Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 28th February, 1994 to 31st May, 1994 has been fixed at 5.5375 per cent. per annum. Coupon No. 24 will therefore be payable on 31st May, 1994 at £1,395.75 per coupon.

Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £2,933,271.05 Aggregate interest charging balances of Mortgages redec 28th February, 1994: £223,165,445.35

The aggregate principal amount of Notes outstanding as at 28th February, 1994: £86,600,000 S.G. Warburg & Co. Ltd. Agent Bank

3i International B.V.

INVESTORS 11 INDUSTRY

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FLOATING RATE NOTES 1994 FOR THE THREE MONTH PERIOD

28TH FEBRUARY, 1994 TO SIST MAY, 1994 Notes, notice is hereby given that the rate of interest has been fixed at 5 3/1s per cent. per angum and that the interest payable on the relevant interest payme 31st May, 1994 against Coupon No.26 will be £153.90 from Notes of £10,000 nominal

and £13.39 from Notes of £1,000 nominal. S.G.WARBURG & CO. LTD.



£200,000,000 Floating Rate Notes 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 25th February, 1994 to 31st May, 1994 the Notes will bear interest at the rate of 5 ½ per cent. per annum. Coupon No. 35 will therefore be payable on 31st May, 1994 at £661.64 per coupon from Notes of £50,000 nominal and £66.16 per coupon from Notes of £50,000 nominal.

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Loan-loss fall helps lift top Canadian bank

Falling loan losses and strong investment banking income helped Royal Bank of Canada to lift first-quarter earnings by

The bank, which is Canada's biggest financial institution, predicted that a continuing mprovement in its loan portfolio, plus higher productivity, would provide a "solid level of

profitability" this year. Net earnings rose to C\$300m (US\$222.2m), or 82 cents e share, for the three months to January 31, from C\$254m, or 71 cents a share, a year earlier. Return on equity improved to 17.9 per cent from 14.8 per

Assets climbed to C\$168.2bn from C\$137bn, with more than half the increase due to last year's acquisition of Royal Trust, the ailing trust and loan company formerly controlled by Toronto's Bronfman family. Return on assets slipped fractionally to 0.72 per cent

from 0.73 per cent. RBC is emerging from a turbulent period, which included the Royal Trust ecquisition as well as a heavy exposure to the troubled property and forestry industries. The bank has also been criticised for weak inter-

Earnings have tumbled from

record C\$965m in 1990 to C\$107m in 1992 and a C\$420m fourth-quarter loss last year. The bank noted yesterday

however, that fiscal 1994 loan losses were expected to fall to C\$820m from C\$1.75bn last year. The first-quarter loanloss provision was C\$205m, down from C\$295m last year. Non-accrual loans totalled C\$3.21bn on January 31, equal to 2.6 per cent of total loans

and acceptances. This was slightly lower than three months earlier, but the decline was slowed by a further C\$45m increase in sour commercial property loans. A further cushion is provided by the rising market value of the bank's Third

World debt portfolio. The surplus has grown over the past quarter, from C\$415m to C\$550m. Any of this surplus realised during 1994 will be transferred to general loan-loss

Bank of Nova Scotia reported a 19.5 per cent jump in first-quarter earnings, to C\$197m, or 82 cents a share, from C\$165m, or 70 cents a share. Return on equity rose to 14.7 per cent from 13.9 per

The improvement was attributed largely to higher interest income and stronger invest-ment-banking earnings.

Canada considers cutting oil holding

Canada's Liberal government is considering a further cut in its 70 per cent stake in Petro-Canada, the integrated oil and gas producer set up in the mid-1970s to give Ottawa a window on the energy industry.

Ms Anne McLellan, Natural

Resources minister, said she and the secretary of state for finance were reviewing Petrocan's ownership.

"Everybody is saying that with share prices where they are, it may be time for the federal government to take a look at what it wants to do," she said. Other, unspecified, options were also being consid-

i-- . . . 1:10%

Conservative government began privatising Petrocan in mid-1991, when it sold 42m shares to the public at C\$13 a share. The share price began sliding shortly afterwards, reaching a low of C\$7.38 last

However, it has recovered sharply in recent months. The shares were trading at C\$13.50 on the Toronto stock exchange yesterday.

A sweeping reorganisation, including asset disposals, and a jump in natural gas prices have contributed to a significant improvement in financial performance, Earnings totalled C\$162m (US\$120m) last year on sales of C\$4.6bm.

Argentine banking opened still further

By Stephen Fidler,

Financial institutions from the US and Europe are exploring the possibility of starting operations in Argentina following a government decree last week which further opened the banking system to foreign com-

Mr Roque Fernandez, president of the central bank of Argentina, said those applying to open branches included the financing arm of General Motors, GMAC, and a Chilean group. Other applications were expected from US and Euro-

Mr Fernandez was in London high lending margins.

for talks with the Bank of England. He hopes to persuade the Bank that his institution is capable of supervising Argentine banks' international activities - thereby paving the way for the opening of further Argentine bank offices in London. He is also talking to banking authorities in Spain, the

Last week's decree brought protests from Argentine banks. Mr Fernandez said the Argentine banking system was competitive - 200 financial institutions were now operating compared with 800 in 1980. However, there has been concern among businesses about

N American Glory days gone for discount pioneer groups study Vox stake deal

By Christopher Parkes in Frankfurt

North American media companies are negotiating for a 49 per cent stake in Vox, a private German television station owned by a consortium headed by the Bertelsmann

According to unconfirmed reports, the bidders are Time Warner of the US and CanWest Global Systems of Canada. Vox is one of nine Germanbased private broadcasters competing for viewers with 15 publicly-owned channels.

Their move is understood to have been initiated last month when the publisher of the Suddeutsche Zeitung newspaper, decided to dispose of its 20 per cent stake in the struggling broadcaster. Bertelsmann, Europe's hig-

gest media business with widespread toternational interests in print and electronic media, m print and electronic media, holds a 24.9 per cent stake. Other shareholders include the WMB holding company, of which 47 per cent is in the hands of the public sector bank, WestLB.

Bertelsmann yesterday would confirm only that it was in talks which should lead to "stabilisation" of the shareholdings in Vox, which had a shaky launch into the crowded German TV market just over a Veer ago.

The company said a group of American investors was seek-ing a 49 per cent stake, but that the current owners were not offering that amount. It said that although Bertelsmann had no plans to reduce its stake, an announcement could be made in the next few

Originally conceived as an information channel, much of Vox's output is now entertainment. The Suddentsche Zeitung, which supplies a magazine programme, S-Zett, and other services to Vox, is believed to want to pull out because of the format change, and the unexpectedly high start-up losses, exacerbated by

Low newsprint prices keep Abitibi in red

Low paper prices drova Abitibi-Price, the world's big-gest newsprint producer, to its fourth consecutive year of losses in 1993, writes Bernard

The Toronto-based company said newsprint prices in North America had shown no signs of recovery this year.

However, it was counting on a combination of higher offshore prices, a 7 per cent cut in North American discounts, and price rise to lift operating results during 1994.

Net losses last year totalled C\$121.7m (US\$90.1m), or C\$1.71 a share, a significant improvement on 1992's C\$220.9m deficit, equal to C\$3.19 a share. The results include a narrowing in losses from discontinued operations, to C\$13.4m from C\$27.8m. Sales rose to C21.87bn from C\$1.80bn while operating losses fell to C\$39.8m from

Kmart's costly expansion and modernisation has turned sour, writes Richard Tomkins

mart, the US retailer and pioneer of the discount store concept in the early 1960s, was rewarded for its invention for one fleeting moment in the late-1980s. when it became the world's biggest retailer.

Now, in the 1990s, It is still near the top of the league in terms of annual sales - but in terms of last year's profits, it looks like a company on the

After five years of disappointing earnings, Kmart went from bad to appalling with the figures it reported on Monday. For the fourth quarter to January, it turned in net losses of \$1.2bn, compared with net profits of \$535m last time. For the year as a whole, it reported net losses of \$974m, compared with net profits of \$941m a year earlier.
Admittedly, there were spe-

cial factors at work. During the fourth quarter, it incurred costs of nearly \$1.50m pre-tax for the disposal of some operations and the restructure ing of others. However, even after strip-

ping out all the unusual charges, and ignoring the losses made by the discontinued operations, the group would only have shown net income for the year of \$534m clearly unsatisfectory for a group with sales of \$34.2hn. In contrast, Kmart's bigger rival. Wal-Mart, reported net income of \$2.3bn on turnover of \$67.8bn for the same period, even after acquiring Kmart's

loss-making Pace Membership

Warehouse operations during Share prices (5) the year.

However it's not only the financial performance of the two companies that separates them: they have also followed

contrasting strategies.

While Wal-Mart has stuck closely to general merchandising, either through its discount stores or membership warehouses, Kmart has bamboozled observers with its changes of

These started in the 1980s when, faced with growing com-petition from Wal-Mart and other discount store operators, it started looking for nev sources of profits growth.

Following Woolworth's example, it decided specialty retailing was the answer, and set about using the cashflow from its discount stores to gain a foothold in new sectors. It bought or set up the Pay-Less Drug Stores chain, the Waldenbooks and Borders

book stores, the Sports Authority sporting goods shops, the Builders Squars home improvement stores, and the OfficeMax office supplies Confusingly, however, it also sought to expand in general

merchandising by making forays into the hypermarket or membership warehouse busi-ness, first by taking a stake in the Makro hypermarket chain and then huying the Psce Membership Warehouse operation. Both ventures proved unsuccessful, ending in heavy

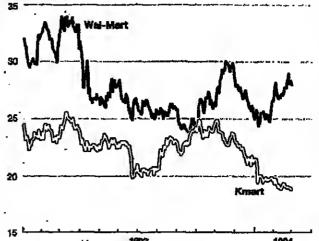
started to weaken when it dis-covered that the discount stores could not be relied upon to generate the cash required, because they needed heavy tovestment to survive the competition from Wal-Mart and other discount store groups.

n 1990, Kmart responded to the competitive threat by launching a costly modernisation programme for the discount stores.

By 1992 it had reached its

goal of refurbishing 450 stores year. However, it abruptly scaled back the programme, saying it wanted to consider re-entering the hypermarket sector with a new Super Kmart

January, another



about-turn came when Kmart announced that the results coming through from the refurbished discount stores were so good the modernisation programme would resume, absorbing the larger part of a \$1.3bn restructuring charge. Meanwhile, back in retailing,

the PayLess Drug Store chain produced unimpressive results and was sold last year. Taken as a whole, the other specialty retailing operations have delivered profits falling short of target and, in January, Kmart announced it planned to sell between 20 and 30 per cent of their equity in a series of stock

optimistic view of Kmart's optlook for 1994 would

been cleared away, and that the company was poised for growth. However, the state of the share price, hovering close to its 12-month low of \$18%. suggests that few in the market subscribe to that view.

Kmart's lack of a clear strategic direction is only one reason for the pessimism.

The other is that it is not up to the competition with Wal-Mart because the latter is simply a better retailer. Last year. for example, the poor financial performance of Kmart's discount stores was largely explained by the fact that it overstocked on goods that people did not want, and ran out of things they did want.

Analysts say this does not happen at Wal-Mart, because It is ahead in using technology to match what people want with what it stocks.

"Wal-Mart has a much better read of what is selling in its stores, so it doesn't carry dead inventory," says Ms Maureen McGreth of Smith Barney Shearson, the Wall Street bro-

Kmart has also invested in technology, but it has not been enough to stop Wal-Mart's inexorable growth. Last year. Wal-Mart's sales - aiready twice the size of Kmart's - rose by more than 20 per cent, and analysts believe they will advance by another 20-25 per cent this year.

Since the market itself is barely growing, something else will have to give. Seen in that context. Kmart's troubles seem far from over.

Coca-Cola looks to the Grape Beyond **Portuguese**

By Richard Tomkins . n New York

It sounded more like a fringe meeting at a New Age rave than a product launch. Against a background of weird, throbbing music, the man at the podium talked of yin and yang, body and soul, life, the uni-verse, and everything.

However, to nobody's great surprise, it quickly emerged that Coca-Cola had not decided to give up the business of money making for a life of philan-thropy and consciousness-rais-

Rather, It was signalling plans to grab a slice of the market for so-called New Age beverages, the fastest-growing sector of the US soft-drinks

Coca-Cola's weapon in the New Age drinks war is a product called Fruitopia, a vaguely psychedelic-looking range of hottled drinks that turns out to consist of nothing but water, sugar, fruit juice and natural

However, if the contents of the bottles are prosaic, the labels are not. They carry pictures dotted with the words "mind", "body" and "spirit", and the drinks have names like Raspherry Psychic Lemonade, Strawberry Passion Aware-ness, Total Fruit Integration and Citrus Consciousness.

The bottles also carry mindexpanding epigrams. On the bottle of Grape Beyond, for example, the slogan says: "Things that are still right in

circle, Beethoven's 9th, Grape Beyond. The launch of its Fruitopia is

seen as a clear attempt by Coca-Cola to replicate the phenomenal success of a range of similar fruit drinks made by the New York-based Snapple Beverages, a stock-market flyer since it went public a year ago. By coincidence, Snapple yesterday reported net profits soaring to \$67.6m in the year to December, from a pro-forma

\$18.3m last time. Its shares, however, sank \$1% to \$27% as news of the Fruitopia launch

The total market for New Age beverages - loosely defined as "natural" drinks like iced teas, fruit jnices, bottled water and sports drinks is estimated to be worth SShn.

Demand was strong for

sheet, oil and gas well tubing

and fabricated products, but

large diameter pipe business

was weaker.

and Coca-Cola has only 8 per cent of it. The company expects the Fruitopia launch to take that share to 15 per cent initially, and to 30 per cent within three years.

Mr Sergio Zyman, Coca-Cola's senior vice-president and chief marketing officer, said the product would be available in US stores in four weeks, and in three or four other countries soon after. Its launch would be backed by a \$30m marketing campaign. Snapple seemed unconcerned

by the move. All that extra advartising would simply accelerate the market's growth, it said. And, asked wby so many people were sud-denly buying New Age beverages, it suggested: "Maybe they're sick of Coke."

standing a year earlier. Reve-

nues wers C\$168m, against

For the full year earnings

were C\$28.7m or C\$1.42, com-pared with C\$15.5m or 98 cents.

telecom climbs 14%

By Peter Wise

Radio Marconi, Portugal's international telecommunications operator, yesterday announced a 14 per cent rise in consolidated net profits in 1993, to Es4.2bn (\$24.2m). Sales grew 16 per cent, to Es46.5bn, and cashflow rose 17 per cent to

The private shareholders of Marconi, which is 51 per cent state-owned, will decide this year on a government proposal to merge the company with Portugal's three other wholly state-owned telecommunications operators. The new company would be known as Portugal Telecom.

The government plans to privatise up to 49 per cent of Portugal Telecom, and will sell part of the equity to a strategic

Mr Goncalo Sequeira Braga, president, said that despite recession in 1993, Marconi reduced total debt from Es25.4bn in 1992 to Es19.3bn last year.

Market capitalisation more than doubled.

earnings up by 58%

Valenciana de Cementos, the leading Spanish cement pro-ducer which is controlled by Cemex of Mexico, defied an overall decline in the cement market last year and increased group after-tax profits by 58 per cent to Pta5.61bn (\$40.1m). Part of the increase came from the inclusion of the last three months' figures from Sanson, another cement producer brought into Valencians last year. Both companies, formerly

controlled by the Banco Español de Crédito (Banesto) banking group, were bought by

Net operating profit for the group rose more than fourfold to Pta7.69bn, mainly due to improved production processes and cost-cutting, as well as

price increases.
The group's sales, excluding

sents about a third of Cemex's husiness worldwids, said it the market this year.

Spanish cement group Ipsco capacity rises 24% Ipsco, western Canada's only Fourth-quarter net profit was basic steelmaker, ran at full C\$8m (US\$6m) or 39 cents a share, up from C\$6.1m or 38 capacity last year with shipments peaking at 1m tonnes, up 24 per cent from 1992. cents on fewer shares out-

By David White in Madrid

those of Sanson, were 5.7 per cent down at Pta48.07bn but the decline was less than half the estimated overall decline in cement sales during the year. Including the Sanson figures, turnover wes Pta50.94bn, which was 4.3 per cent more than for 1992.

Valenciana, which repreexpected a slight recovery in

Van Ommeren

Koninklijke Van Ommeren NV

Credit Communal de Belgique S.A. / Gemeentekrediet van Belgie N.V.

C\$140.5m.

US\$ 150,000,000 Multicurrency Credit Facility

Chemical Bank

Internationale Nederlanden Bank N.V. Credit Lyonnals Bank Nederland NLV. Banque Paribas Chemical Bank De Nationale Investeringsbank N.V. The Sakura Bank, Limited

The Yasuda Trust & Banking Company Ltd.

Deutsche Bank de Barv N.V. Rabobank Nederland Bayerische Landesbank International 9.A. Dai-Ichi Kangyo Bank Nederland N.V. Kredietbank (Nederland) N.V. The Sarwa Bank, Limited

Banque Nationale de Paris

Vereins- und Westbank AG

CHEMICAL

والمراب والقرور والمراب والمراز والمراب والمرا

Hunting in Argentina's bargain basement

International companies are finding strong takeover targets, writes John Barham

ergers and acquisi-tions in Argentina A once meant finding a local company to take over the business of a multinational fleeing the country's political and economic chaos.

But a successfully-completed problems. \$20hn privatisation programme, rapid economic growth and pro-business government policies hava put Argentina firmly back on the international business map. Recently there has been a rash of takeover announcements by foreign companies and more are expected.

• Procter and Gamble bought food giant Bunge y Born's 78 per cent stake in Compañia Química, which makes detercents, for \$52.5m. RJR Nahisco signed a letter of intent with the owners of

buy out their controlling stake in the company, which has a market capitalisation of Chile's CNTI bought SAIAR, Argentina's leading maker of household water heaters, for an undisclosed amount. Chilean investors have become aggressive buyers of Argentine companies, buying into industries ranging from ceramics to

large portions of the privatised electricity sector. In most cases, target compa-

nies are too small or badly-managed to survive alone in Argentina's liberalised market. Often they are family-owned businesses with succession difficulties, or face insurmountable financial or technological

Buyers are attracted by an economy expected to grow 5-6 per cent a year to the end of the decade. Furthermore, the performance of most local companies can be rapidly increased with strong management, capital and technology.

he Exxel Group, a Bue-nos Aires-based buy-out company, has hought paper, soap and electricity companies and shows what strong management can achieve. Mr Juan Navarro, Exxel president, says that at one of his acquisitions, "we cut biscuit-maker EM Terrabusi to Overheads by 35-40 per cent, increased output by more than 60 per cent in six months and

cut 10 per cent of the Multinationals usually look for branded mass consumption goods, with little debt, where they can add value rapidly. The food industry is a leading acquisition target. Argentina's pampas, those vast grasslands and wheat prairies, make it a large-volume, low-cost agricul-

As well as RJR Nabisco, food fewer soft drinks than consumgroups such as Nestle and Cadbury-Schweppes have been huying companies in Argen-tina recently. Results for the trailblazers

have been impressive. In 1991, when US tobacco and food giant Philip Morris acquired Swiss chocolate maker Such-ard, the Argentine subsidiaries of both companies came together just as the economy began an unexpected recovery. Mr James Stewart, Philip Morris's local general manager, says: "We used the retained earnings from Suchard to finance [later] acquisition of an ice cream company and the Tang powdered drink company." He says revenues from the food business hava risen fivefold and income 8.5

times since 1991. The US investors who bought a bankrupt Pepsi bottler in 1989 have been even more successful. The investors, led by Mr Charles Beach, paid a nominal sum for the bottler Baesa, but invested more than \$200m to build it into a company with listings in New York and Buenos Aires and a market capitalisation of

Mr Beach had seen the

potential of a market with ris-

ing incomes and repressed con-

sumption. Argentines drink control only as a last resort.

ers in other developing countries. Mr Rafael Farace, Baesa's finance director, said "promo-tion, marketing, efficient production, innovation and distribution were the keys of our Sales grew to \$268.8m last

year from \$31.5m in 1990. Margins rose by a third to 41 per cent. Pepsico has awarded

Baesa franchises in Chile, Uruguay, southern Brazil and eonthern Argentina, and helped finance the expansion by paying \$35m for 26 per cent of Baesa. s well as food, atten-A tion has focused on the underdeveloped but highly promising financial services industry. The petrochem-

icals industry, until recently given up for dead, is showing signs of recovery. Argentina has a large number of small car parts companies, many of which are in need of consolidation and radical reorganisa-Inevitably, buyers arriving late at the party are having to pay higher prices for less

attractive companies. Argen-

tina has few companies that

turn over more than \$100m a

year, and most are owned by families that usually surrender

Putting a price on e com-pany is hard at the best of times, especially as accounting standards are lax. Furthermore, rapid economic change makes past performance a poor guide to a company's value. Investment bankers say prices have more than doubled in three years to an average 10-15 times earnings. However, analysts believe

British food and heverage group Cadbury-Schweppes has paid too much for Stani, e local sweet company it bought last October. Mr Stephen Ward, Cadbury's managing director for the Americas, will not disclose the price, but says Stani was a good buy: "Stani gets high marks for leadership, management, with strong brands and a good position in the marketolace."

Despite rapid growth, Argentina, with a population of only 32.6m. is not a big market. However, international companies striving for a global market presence cannot ignore

The growing pace of trade with Chile and economic integration with Brazil through tha Mercosur customs union make the regional dimension increasingly important. Mr Ward says Stani is a "stepping stone" for Cadbury's expansion



Some analysts believe one or

two companies may achieve a

listing in London especially as

the stock exchange there has

been lobbying in China. Mr Charles Lee, chairman of

the Hong Kong stock exchange is undaunted by the competi-

tion - pointing out that this is

after all what the free port of Hong Kong thrives on - and says the Beijing State Coun-

cil's decision to test the waters

in New York is very much by

way of a small pilot run.

By Nikki Telt

Bundaberg Sugar, Australian sugar producer owned by Tate & Lyle of the

UK. vesterday raised its A\$87m

(US\$62m) bid for two crushing

Bundaberg, acquired by Tate

Lyle for A\$325m three years

ago, said it was increasing its offer for the 30,000 shares in

the Tully Sugar mill from

A\$1,600 a share to A\$2,160 a

bare. Its offer for the 3.9m

shares in South Johnstone

goes up from A\$9.40 to A\$12.25,

increasing the total value of

er has been were the we

mills in northern Queens-

NEC, Samsung to extend co-operation

By Our Financial Staff in London and AP-DJ in Tokyo

NEC of Japan and Samsung Electronics of Sonth Korea, two of the world's largest plan a joint development of next-generation memory chips. expanding their existing co-operation agreements, NEC said yesterday.

The two companies are alm-

ing for an agreement by the middle of this month on a development of 256-megabit dynamic random access memory (O-Ram) chips which could cost up to Y100bn (\$960m).

Japaness semiconductor makers, who have superior manufacturing technology, have previously teamed up with US chip manufacturers, but are now increasingly turn-ing to South Korea as technology there advances.

Japan's leading semiconductor makers have this year begun mass producing 16megabit D-Ram chips, and are planning to start sample shipments of 64-megabit D-Ram chips. Analysts believe that

samples of the 256-megabit chips are likely to be available n 1997 or 1998.

But the more advanced the ssmiconductor, the more expensive it is to develop, the NEC spokesman said. He said the cost of developing the 256-megabit D-Ram chip is seen "in the tens of billions of yen".

The NEC spokesman said the accord with Samsung would spread the risk, and allow mutual supply by unifying production specifications.

NEC and Samsung have

already agreed to exchange information on the 256-megabit D-Ram cell structure and Samsung has asked for NEC's help in developing the logic inte-grated circuit, which relies heavily on process technology. Samsung is South Korea's largest semiconductor maker and, based on sales, ranked seventh in the world last year, for the first time breaking into

the top 10. NEC, the world's second largest chip maker behind Intel of the US, holds more than 50 per cent of Japan's personal

six months, Arnotts' total sales fell from A\$344.8m to

A\$332.8m, although Mr Bourke

said that if asset disposals

were excluded, there was a

small 1.3 per cent increase. The

underlying increase in volumes was just 0.9 per cent.

Australian biscuit division

were similar to the correspond-

ing period a year ago, but

Arnotts said that the contribu-

tion for the newly-launched

snack products range had been

"lower than anticipated". Mr

to 18 months.

Overall, sales for the core

Arnotts posts 16% rise to A\$44m at halfway stage

By Nikki Talt in Sydney

Arnotts, the Australian biscuits, snacks and confectionery company now majorityowned by Campbell Soup of the US, yesterday reported a 16.6 per cent increase in aftertax profits before abnormal ns, in the six months to the end of December, to A\$44.2m (US\$31.5m), and said it was confident of meeting its full-year forecast of A\$80.9m.

There were no abnormal charges in the latest half-year, but the first half of 1992-93 included a A\$15.8m surplus, taking the group's net operating profits for that period to A\$53.8m after abnormals.

Yesterday, Mr Paul Bourke, Arnotts managing director, admitted that underlying sales advances had been extremely difficult to achieve during the Wharf Cable

Star TV, the Asian broadcasting glant 63.6 per cent owned by Mr Rupert Murdoch's News Corporation, has averted a legal dispute with Wharf Cable, the fledgling Hong Kong network, by amouncing it will not enforce a nine-month old agreement to supply programming to the cable operator.

The move ends months of wrangling, which culminated in January when Wharf took court action to scrap its licenit is required to screen four premium channels and three existing Star channels - MTV, the BBC World Service and

Wharf started proceedings against Star after seven months spent "attempting to conclude an agreement with successive Star TV manage-

Mr Gary Davey, the third chief executive of Star TV in six months, said: "Star TV has reluctantly come to the conclusion that a workable relation-ship with Wharf Cable is simply not possible under ths

present agreement.
"We are hopeful that by taking this action the whole issue will be looked at in a less contentious manner and help us move forward in finding a way to make these services available to Hong Kong view-

Wharf Cable said it was sorry to see Star's plans to launch new regional pay TV services will be further dslayed and noted that in order to continue to expand viewsrs' choice it would endeavour to source quality channels from a wide range of other regional providers as

Shell Electric Manufactur-

Bourke also conceded that ing, a Hong Kong electricappliance maker, reported net profits of HK\$139.6m (US\$18.1m) for the year to lower media spending had helped the profits increase. He said Arnotts' planned October 31 1993, up 73 per move in Asian marksts was progressing, with discussions cent on the previous year. under way which could lead to Revenues totalled HK\$1.3bn against HK\$1.2bn, and secondbiscuits being manufactured in southern China within a year half dividend is raised to 11.5

cents from 8 cents.

World waits for the second Chinese wave Star TV ends legal battle with

By Louise Lucas in Hong Kong

China state-run companies slated for overseas listings is likely to hit Hong Kong - or, in some cases, New York - around July, roughly a year after Tsingtao Brewery, producer of the only interna-tionally recognised Chinese beer, mads its trail-blazing debut. On that occasion the mood

The second batch of

was emphoric: the stock rose 29 per cent on its offer price, and up to 100 regulatory and industry dignitaries trooped into the Hong Kong stock exchange gallery for toests of Tsingtso. But there were also plenty of teeth ing problems, exacerbated by debates over the preferred route the global offering should follow to ensure opti-mum pricing and whether pri-mary listings should be sought beyond the colony.

Things are expected to be altogether different this summer. While analysts reckon there is still sufficient long-term interest in China to outweigh the current raft of uncertainties over the way in which tax and currency reforms will affect companies, the fact remains that increased supply will mop up some of the

Looking at the 22 state companies approved for overseas listings, professionals report a far greater will and ability to streamline and adapt operations in order to woo the international investors. The resistance encountered last

NEWS DIGEST

expansion

into Asia

By Nikki Talt

(US\$25m).

CSR steps up

CSR, the Australian building

materials and sugar group, yes

terday stepped up its foray into

Asia, acquiring a 50 per cent

interest in Corinthian Indus-

tries (Singapore) for A\$35m

The company makes wooden

doors and door components in

Malaysia, Singapore and

Indonesia and has sales of

around A\$120m. The new joint venture will be head-

than in Hong Kong. quartered in Kuala Lumpar. It is the latest in a spate of Asian investments by CSR, which have included a A\$45m investment in a Tianjin-based quarrying and concrete business in northern China last

year is, they say, already his

tory.
Mr Meocre Li, managing

partner of Arthur Andersen Hong Kong and China, cites the example of one of the early

ited. The company insisted it did not want to undergo any

restructuring: it wanted the

world to see what a socialist

style company looked like. Ultimately, it had to forgo its

ideals, but not before other

accountants had passed through its doors and delivered

So far down the road have

China bosses come - only

recently, releasing commercial information to foreigners

would have landed company

directors in jail - that at least

four of the 22 are aiming for

Wall Street, where disclosure

requirements are far greater

the same verdict.

anies which his firm vis-

Sakura Bank links with US accountants

Sakura Bank, one of Japan's biggest banks, is linking up with the US accounting firm Arthur Andersen to help meet the growing demand in Japan for advice about investing abroad, AP-DJ reports from

ura will refer consulting requests from its Japanese cus-

tomers to Chicago-based Arthur Andersen, which has offices worldwide. Arthur Andersen's strength in consulting about China is a key reason for the deal, a Sak-

These include Shandons

Huaneng Electricity Joint

Stock Power Company and

Huaneng International Joint

Stock Company, both power supply companies, and perhaps China Southern Airlines and

China Eastern Airways.

The attraction of New York

over Hong Kong is broadly

threefold, price/earnings ratios

can raise more cash; there are

fewer China companies avail-

able; and - not at all least important in Chinese eyes -

New York is perceived as car-

rying higher prestige. Some China companies

already listed in New York are

trading on an average p/e of

around 30 times whereas the

first batch of H shares (Chi-

nese company shares listed in

Hong Kong) came on line in

the colony with p/e ratios of

around 10 to 15.

ura official said.

greater and so companies

Casio sees new products boost

Casio Computer, the leading Japanese digital watchmaker, said it expected its parent profits to jump between 20 and 25 per cent to Y11.5bn (\$109m) in 1994-95 as a result of planned new products, Renter reports from Tokyo.

A spokesman said parent sales were forecast to rise between 5 and 10 per cent to

Louise Lucas looks at the batch of companies set for overseas listings this summer cal, one of last year's biggest H share issuers. Only about 30 per cent was offered in the colony with the remainder going abroad - mainly to the US. Yet trading over the past couple of weeks has shown that volumes

in Hong Kong are four times those in New York. It is inevitable that the bulk of the second batch of companies will wind up in Hong Kong: the colony's stock exchange last year signed a special Memorandum of Understanding with its counterpart in Beijing which smooths the way for mainland enterprises to list, by promoting co-operation between the two parties.

H shares per se may no lon-

ger be a novelty, but the sec-ond line-up offers investors their first bite at some of the hottest China sectors - - infrastructure and aviation, key beneficiaries of a developing middle class and government commitments to breathe life into poor power and transport

eedback from New York and Tokyo, he says, shows that institutional investors tend to prefer shares having their primary listing in Hong Kong, because Hong Kong can better understand and more realistically price He illustrates this with the case of Shanghai Petrochemi-

Bundaberg Sugar raises

offer for crushing mills

says. "People expect short-term volatilities following changes in China's policy and the tax structure. No-one yet knows how the government will implement some of these changes. It takes time for things to run smoothly with new regulations coming into force, but for people investing in China they know they must look long term.

the bids by around A\$26m, to

approximately A\$113m. Mr Geoff Mitchell, managing

director of Bundaberg, said

that the increased offer was an

effort to address issues raised

by shareholders, including

"current profitability, retained

earnings, grower control and prospects". Bundaberg, which

announced its original offers in

October, said that "the pro-

posal to invest in the north

Queensland sugar industry

now represents a total commit-

The mills said that the offers

would be referred to their financial advisers.

ment of some A\$125m"

Ms Dora Hung, analyst with Goldman Sachs in Hong Kong,

4741

DE PLAN

C. Irianill

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

MARCH 1994



Volkswagen International Finance N.V.

(Amsterdam, The Netherlands)

DM 500,000,000 5%% Deutsche Mark Bearer Bonds 1994/1999

unconditionally and irrevocably guaranteed by

Volkswagen Aktiengesellschaft (Wolfsburg, Federal Republic of Germany)

CSFB-Effectenbank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

Dresdner Bank Aktieneesellschaft

ABN AMRO Bank (Deutschland) AG

Bank Brussel Lambert N.V.

Bankgesellschaft Berlin Aktiengesellschaft

Banque Nationale de Paris S.A. & Co.

Bayerische Hypotheken- und Wechsel-Bank

Bayerische Landesbank Girozentrale

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FLOATING BATE SUBORDINATES
CAPITAL NOTES DUE 1904

In accordance with the provisions of the Notes, notice is barely given that the Rate of latarest for the Interest Period from 2B Februsry 1994 to 31 May 1994 has been fixed to 5% per cent per annum. The Coupon Amounts will be \$60.05 for the \$5,000 denomination and \$650.62 for the \$50,000 denomination and will be payable up 31 May 1994 actions surreader. on 31 May 1994 ago of Coupon No. 36 A CHESCH

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300,000,000 **CAC 40 INDEX LINKED NOTES DUE MARCH 2, 1994**

in accordance with the Terms and Conditions of the Notes, notice hereby given that, pursuant to paragraph (c) of Condition ! "Purchase and Redemption", the Redemption Amount of th will be 126,30%, calculated by applying the following formula mption Amount of the Note

FRF 1,000 x 1+1.23 x (CACM - CACI)

where "CACI" = 1,843 and "CACM" on

February 28, 1994 = 2,238.36

Payment of principal will be made on March 2, 1994 in accordance with Condition 6 nents" of the Terms and Conditions of the Notes

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

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العراقة في المرافقة المركزية
US Treasuries drop on fresh inflation fears

Middelmann in London

 $x_1 = \lambda_{n+1}^{-1}$

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14 1111

US Treasury prices dropped sharply at the long end of the maturity range yesterday morning as investors took fright at news of an increase in the latest purchasing managers' monthly price index.

By mid-day, the benchmark 30-year government bond was down 1 point at 93%, yielding 6.785 per cent. The two-year note was also lower at the halfway mark, down at at 992.

yielding 4.758 per cent. The National Association of Purchasing Management's February report showed the index of nationwide manufacturing activity to have fallen from 57.7 in January to 56.6, which would normally be good news

However, the decline was mostly explained away by analysts as the result of the severe large parts of the US in Febru-

Instead, investors focused on the sharp jump in the association's price index, which climbed from 59.8 to 67.0. This, plus a hig increase in the NAPM's employment index, spooked the market, which is extremely sensitive to signs of inflation, particularly wage inflation. The result was heavy selling of bonds throughout the

morning. The day's other news was an upward revision in the government's estimate of fourth-quarter gross domestic product from growth of 5.9 per cent to 7.5 per cent.

This was clearly bearish for bonds - the original 5.9 per cent figure had unsettled investors in the first place, so the large upward revision was doubly worrying - but traders said it ultimately had little impact upon prices, primarily

news and so had already been priced into the market.

Erropean government bonds fell sharply on the back of weak US Treasuries and a smaller than expected monetary easing in the Bundesbank's latest open market oper-

GOVERNMENT BONDS

At the Bundesbank's allocation of two-week securities repurchase agreements, the minimum repo rate fell by three basis points to 5.97 per cent. That was less than the five to 10-basis point fall most traders had been calling for and was seen to indicate that the Bundesbank's pace of easing remains extremely cau-

In the afternoon, selling was

Treasuries triggered by the NAPM report. "This confirms my medium term scenario that Europe can't decouple from the US," said Kirit Shah, interna-

tional strategist at First Chi-

New supply in several European markets put a further damper on prices. "With no buyers around, how are governments going to finance their deficits?" questioned one

Europe's high-yielding bond markets were especially hardhit by yesterday's sell-off. The Italian long hand future on

Liffe fell by 2.10 points to 111.
Following the dismal reception of Monday's three and five-year auctions, the prospect of L7,500 of new 10 and 30-year bonds triggered a sharp sell-off in the morning. In the event, the result of the long-dated auctions was better than paper would continue to weigh on the market.

Spanish bonds did even worse, pounded by heavy for-eign selling, the long bond future in Madrid falling by 2.20 points to 99.59.

French bonds also slid by

more than a point on the back of the German repo and US Treasuries weakness. The March notional bond future's breach of technical support at 126.36 opened the floodgates for further selling, mostly by for-eign accounts, traders said. It fell by 1.22 points on the day to close at 125.74, but slipped fur-ther to 125.10 in after-hours

trading.

■ UK gilts fell by two points at the long end, under-performing core European markets. After falling in line with other bond markets, talk of large overseas selling knocked prices even

future fell by 2% points to close at 111%

"After outperforming on the unside over the last few days and getting hilled into a false sense of security, gilts outperformed on the downside yester day," said Mr Simon Briscoe, UK economist at SG Warburg Securities. "The market fell two points on absolutely no news or fresh supply - that has to be a cause for concern," he

■ German bonds also weakened on disappointment over the repo and the slide in US Treasuries, and were further pressured by the sale of DM3bn of new 10-year bonds for the Treuhandanstalt. Another tranche of the issue is due to be anctioned today. In after-hours London trading, the March bund future was down 1.06 points from Monday's

per cent.

ing government bond market, but still showed a loss of 0.71 per cent in local currency terms. However, in US dollar terms, Japanese government bonds showed gains of 3.92 per cent, helped by the strengthening of the yen against the US currency last month, and putting the JGB market well ahead of the other main gov-

ernment bond markets.

However, the move had the effect of heightening concern

- including a 25 basis point cut in the UK base rate, a 50 basis point cut in Germany's discount rate, and a 10 basis point reduction in the French inter-

8.33 7.01

Yr. 200

8.55 7.73 8.02

Mer 1 Feb 28 Yr. ago

2.53

GILT EDGED ACTIVITY INDICES

6.65 7.29 7.27

World government bonds suffer heavy losses in February **Bond market returns**

By Sara Webb

World government bond markets suffered heavy losses last month, sparked by the combination of US inflation worries, concern about the slow pace of monetary easing in Europe, and heavy selling of European bond futures by US hedge funds.
The UK was the worst per-

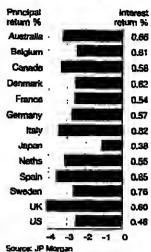
forming government bond market with a loss of 3.47 per cent in February in local currency terms, according to figures compiled by JP Morgan Securi-

Spain was the next worst performing market, with a loss of 2.79 per cent, followed by Canada with a decline of 2.68

Japan was the top perform-

The event which triggered the fall in government bond prices was the decision by the US Federal Reserve on Fehruary 4 to raise short-term interest rates to curb inflationary

in the markets about the prospect of rising US inflation and further tightening by the Fed. Despite small cuts in interest rates across Europe last month



vention rate - many investors were disappointed at the slow pace of easing.

Heavy selling of European government honds, particularly of the futures contracts, by US hedge funds during the last two weeks of February pushed the European markets down strongly.

• France's economy minister, Mr Edmond Alphandery, is to loosen drastically issuing procedures in the French domestic bond market to bring them into line with those in the Eurofranc market, Renter reports from Paris. He said that issuers would, however, still be able to book a time spot for issuance if they wanted to have priority. He gave no fur-

Mr Alphandery also said issuers and intermediaries would do away with a one-day delay between payment and making funds available and reduce the costs of financial services for new issues.

Mer 1 Feb 28 Yr, ago Mar 1 Feb 28 Yr, ago

Mar 1 Feb 28 Yr. ago

1.63

Feb 23

103.8 109.3

Feb 22

119.8 109.2

5.655 9.34 6.33 6.55 5.96 6.20 7.28 7.28 7.28 6.35 6.35 6.35 6.35 7.28 7.28 7.28 7.28 7.28 7.28 7.28

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6.78 7.48 7.49

8.65 7.34 7.35

6.85 8.22 8.30

8.54 7,12 7.12

Mer 1 Feb 28 Yr. ago Mar 1 Feb 28 Yr. ago Mar 1 Feb 28 Yr. ago 8.26 8.04 8.60 8.29 6.17 9.33 8.31 8.29 9.54

Lacklustre demand for African Development Bank

By Tracy Corrigan and Sara Webb

The African Development Bank took advantage of calmer market conditions at the start of this week to launch its \$500m 10-year Eurobond, via Lehman Brothers and Salomon Brothers. But despite being asonably priced, the deal met lacklustre demand, according

to syndicate officials. Investors were relieved that the last 24 hours had been better, but they are not in buying mode," said one syndicate

manager. The African Development Bank deal suffered as inflationary fears prompted by the latest spate of US economic data prompted a further sell-off in

The deal was priced to yield 28 basis points above the 10-

WORLD BOND PRICES

year US Treasury. For inves-tors, this represents a yield pick-up of about 8 basis points over the Asian Development Bank's recent 10-year deal, currently trading at 20 basis points over the Treasury.

Dealers described the pricing

as offering fair value, but said

INTERNATIONAL BONDS

that they had seen little buying interest. The spread wid-ened slightly to 29 basis points, The deal was issued under the bank's \$500m Euro medium-term note programme, which is now likely to be increased, according to its trea-surer, Mr Kofi Bucknor. The bank expects to borrow a fur-

ther \$500m this year. The proceeds were swapped

lar swap spreads have widened slightly as the bond market has sold off, creating some better arbitrage opportunities.

The market saw heavy new issuance in the equity-linked sector by Japanese borrowers, with \$1.1bn in US dollar-denominated issues and SFr270m of Swiss franc-denominated

In the face of such heavy supply, investor demand for the issues appeared fairly week, although syndicate officials said they expected to sell the issues over the next few days. Buying was mainly from Europa, although some demand was reported from the Middle and Far East.

Investors were a mixture of arbitrageurs - who were buying the warrants and shorting the stock - and traditional

NEW INTERNATIONAL BOND ISSUES									
Borrower US DOLLARS	Amount	Coupon %	Price	Meturity	Fees %	Spread bp	Book runner		
African Development Bunk	500	8.50	98.35R	Mer.2004	0.325R	+28 (576%-04) Lehman Bros./Salomon Bros.		
Tobu Railway Co.taid	400	1.125	100.00	Mar. 1998	2.25		Yamelchi Intl.(Europe)		
Coemo Oil Co.foid	300	1,00	100.00	Mer. 1998	2.25	-	Nomura International		
Hitechi Zosen Corp.(a)	. 300 200	1,125	100.00	Mer. 1998	2.25	-	Nomura International		
Empreses ICA(d)§	135	5.004	100.00	Mar.2004	2.50	-	Bering Brothers & Co.		
Banco Nacional de Mexicot	100	(4)	100,00R	Mar. 1998	0.408	-	Kicider Peebody Ind.		
Republic of Icelands	47	(d) (a)	99.85R	Mar. 1990	0.25R		Nomera International		
SWISS FRANCS									
Toyo Shutter Co.(1)***	120	0.125	100.00	Mar. 1998	~	-	Credit Sulsee		
European Sovereign try fairst	50	0.0	100.40	Jan. 1997	-	-	Credit Suisse		
European Sovereign try.(g)+1	50	0	100.40	Jen. 1997	-	-	Credit Sulsae		

Final territe and non-calable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead transger, in-Private placement. \$Convertible. \$With equity warrants. \$Floating rate hole. &Semi-emusi coupon. Rt band re-offer prior; less are shown at the re-offer level, at Patrig. 8/3/94, b) Plaings 9/3/94, c) International transhe of \$455m US demestic deal. Conv into ADS's at \$33:15. Callable from 7/3/98 with 2 yrs of 130% prosection, d) 6-mth Libor +1%, e) 3-mth Libor +4%, f) Risings 7/3/94, g) Secured by European Union Govt bonds. Short 1st coupon, h) Transhe A; 4% ted to 7/1/85 and 3-mth Libor fist thereefter. f) Transhe B; 3-mth Libor fiet.

1 Up to 5 years (25

5-15 years (24) Over 15 years (5) Irredoermbies (6)

Over 5 years (2)
All stocks (13)

9 Dobe & Loans (73)

FT-ACTUARIES FIXED INTEREST INDICES

127.05

153.51 174.15

147,49

FT FIXED INTEREST INDICES

-0.16 -0.99 -1.46 -1.02

-0.19 -0.35 -0.33

-0.80

127.25

155.18 176.73

148,68

equity-linked investors who want exposure to the stock. Dealers said the heavy sup-

able market conditions. Tobu Railway launched the biggest equity-linked deal of ply was purely coincidental the day, a \$400m four-year rether than a reflection of suitbond issue with warrants.

One dealer said several Japa nese borrowers were expected to launch equity-linked deals ahead of the introduction of new accounting rules in April.

1.62 1.90 0.49 2.18 1.62

1.97

ytd

2.07 6 yrs 2.75 15 yrs 3.53 20 yrs 1.47 kred.† 2.62

Up to 5 yrs Over 5 yrs

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T Cowie beats City forecasts

By Paul Taytor

Sharply lower interest costs ing, motor trading, bus and tractor group, achieve a 56 per cent Increase in pre-tax profits

The advance, from £24.3m in 1992, was ahead of market expectations and Cowie's shares closed up 7p at 331p. Turniver grew to £799.6m (£605.9m) including £148m generated by the Keep Trust motor group of 18 dealerships acquired for £28.6m last May. Earnings per share improved by 55 per cent to 20.8p (13.4p).

A final dividend of 5.5p (4.25p) makes 7.85p. up 26 per cent. Mr Gardan Hodgson, chief executive, said the results highlighted that "the company car market is returning to normality," with fleet renewals

continuing to improve.

Operating profits, including a £2.54m contribution from Keep Trust, slipped to £58.8m (£61.7m) mainly reflecting the impact of falling interest rates un the cure finance division and lower margins in the acquired motor dealerships.

Offsetting this, the group recorded a net £3.82m exceptional gain mainly reflecting proceeds from share transactinns compared with a net exceptional gain of £805,000 in 1992. Pre-tax profits were boosted by a sharp decline in

Domnick

Hunter to

raise £16m

The flotation of Domnick

Hnnter is expected to raise

about £16m in new money for

the oorth-east of England-

based engineering group which claims to be a world

leader in filtration products. The flotation, by way of a

placing, will give the group a

market capitalisation of about

£60m. It is expected that

impact day will be March 16

and that dealings will start on

March 29. Of the net proceeds,

about £9.9m will be used to

redeem preference shares and

£5.4m will be used to reduce

The group bas a dominant role in the UK compressed air filter market, and exports

mnre than 60 per cent of sales

to 40 rountries. Last year it

made operating profits of some

A pathfinder prospectus was

The perfurmance-based ron-

sideration is capped at £1.9m

and the transaction is subject

tn clcarance by the German

group borrowings.

poblisbed yesterday.

Germany.

Cartel Office.

Smith & Nephew

By Andrew Bolger

interest costs and similar charges to £24.6m (£36.2m). On a divisional basis, the finance division, which mainly comprises market-leader Cowie Interleasing, reported Inwer turnover of £230.3m (£245m), but a 43 per cent rise in pre-tax

profits to £23.7m (£16.6m).

The motor division lifted its contribution to £8.53m (£5.48m) nn turnover of £518.5m (£316.3m), partly reflecting the Keep Trust acquisition. Grey-Green, the group's Lon-

don hus and coach operator, increased turnover to £14.4m (£13.5m) but profits declined to £1.6m (£1.6m) because of Hughes DAF, the national bus and cnach distribution

business, lifted turnover by 20 per cent to £16.1m and profits by 29 per cent to £2.26m. Net borrowings of £288m at end-December were down from £308.7m a year earlier and represented gearing of 212 per cent, down from 306 per cent.

COMMENT

The acquisition of Keep Trust has boosted Cowie into the hig league of UK motor retailers. In the short term, however, it has eroded operating margins in the motor division - the new dealerships generated £1.763 of profits per employee in the final 9 months last year, still way behind the £4,891 per head generated in the estab-



Gordon Hodgson: fleet renewals were continuing to improve

lished Cowie dealerships. Squeezing more profits out of the new dealerships coupled with the growth of contract hire and stronger fleet market should boost pre-tax profits to and could go higher.

about £43.5m this year, producing earnings of 23p. Despite the recent increase in the share price they are still only trading on a forward multiple of 14.4

Markheath in reverse takeover

By Roland Adburgham, Wales and West Correspondent

Markbeath, the beavtly indebted property company. is to acquire Thomas Bailey Investments in a reverse takeover by the privately owned Welsh property developer.

The conditional deal will mean that Markheath, which has had a standstill agreement with its bankers since last March, will change its name to TBI and move its headquarters from London to Cardiff.

lt will bave a portfolio of commercial and retail properties and development sites in London, Stevenage and south Wales valued at £96.3m, yielding about 10 per cent.

Of Markheath's bank borrowings of £67.7m, about £25m will be written off hy banks led hy Midland and ANZ, £22m will be refinanced by a new term loan from Barclays and the halance satisfied with the majority of the proceeds frum a £24m share placing and open offer. The share placing and offer on an 11-for-17 basis of 79m new ordinary shares at 33p - is

underwritten by Charterhouse.

The new shares will represent 64.7 per cent of the enlarged capital. Mr Stanley Thomas, a principal shareholder in Thomas Bailey, and Mrs SM Case, his sister, will subscribe for up to 22.7m of the

Mr Michael Rendle, non-executive chairman of Markheath since 1991, will become non-executive chairman of TBI and three Thomas Bailey directors will join the board. Mr Thomas and Mr Paul Bailey will be deputy chairman and executiva director and Mr Paul Guy chief executive.

The three new directors will receive a 30.3 per cent stake in the enlarged capital for selling their company to Markheath.

Dealings in Markheath shares have been suspended at 6p pending sbareholders' approval of the restructuring at an extraordinary meeting on March 24. Old shares will be consolidated on a 20-for-1 basis.

months to September 30 last year with net liabilities of £14.8m, including bank borrowings of £67.7m. It ran into trouble with the downturn in the commercial

Markheath incurred a pre-tax loss of £2.37m in the six

property market and also made ses totalling £37m on the sale of investments in Frogmore Estates and Camford Engineering. Its property portfolio has

been written down hy £75m over the past two years and staff have been reduced from 150 to 10. Thomas Bailey mada a pre-

tax profit of £422,000 in the with net assets of £6.7m.

Expansion at Yorkshire Water

Smith & Nephew, the bealth-care group, is acquiring the Yorkshire Water's strategy to increase Its presence in the clinical waste sector gathered remaining 50 per cent of the momentum yesterday with the purchase of Dyvell (Holdings) for £5.2m. sbares in BSN B Braun-Smith & Nephew, its juint venture with B Brann Meisungen of

Mr Junson Cox, managing director of York-shire Environmental, said the addition of Dyvell would propel the clinical waste division into the "number one slot" with a market share of

between 20 and 25 per cent. Dyvell is, in effect, a start-up business with just one incinerator and several contracts to build further facilities to process clinical waste

for health anthorities and hospital trusts. The threat of increased environmental regula-tion from the EC and loss of crown immunity in the UK mean that trusts and anthorities are

seeking improved methods of disposal.

Some £30m is hudgeted for investment in new incinerators for the enlarged division. This will mean that the clinical waste operation is unlikely to produce a profit for about two years. The group further strengthened its business with the £6.1m purchase of a profitable environmental laboratory group in the Netherlands. Yorkshire will integrate this with Alcontrol, its existing laboratory business.

Direct selling expansion by GRE

By Richard Lapper

Guardian Royal Exchange, the fifth largest of the UK's composite insurers, has signalled a sharp intensification of competition in the £6bn-a-year motor insurance market with yesterday's launch of Guardian Direct, its own direct tele-

The group, which announced it was dropping Royal Exchange from its title on Monday, will invest heavily in the subsidiary, spending at least £10m on advertising and marketing in its first year of

operation. It will compete in a market neaded by Direct Line, the Royal Bank of Scotland subsidiary which insures 1.4m of the UK's 18.5m motorists.

"This is the first time a composite has made a heavy-weight decisive move into the market," said Mr Ray Pierce,

managing director.

He claimed that the "sheer weight" of investment in advertising and marketing would create brand awareness. allowing the company to grow rapidly.

The company is expected to underwrite both bome and

motor insurance.

Based in Colchester, Guardian Direct will initially employ 160 people, of whom 80 will be telesales staff. "Volume is important," said Mr Pierce. GRE has been slow to move

into the direct market, parat about £100m. tially because of its dependence on business generated by brokers and building societ ies. It had also been reluctant to alienate the brokers with which it traditionally does

General Accident, Eagle Star and Royal Insurance have all formed direct writing subsidiaries, but their growth rate has been more modest than that of Direct Line and Churchill, a subsidiary of Winterthur, the Swiss insurer.

Mr Pierce, who joined GRE after spells as chief executive of Robson Rhodes, the accountant, and the Mortgage Corporation, said the company would be the "strategic late entrant" and could equip itself with technology superior to many competitors.

"The systems of some of our competitors are already out of

Although Guardian Direct will he operated separately from GRE's existing motor husiness, it will be able to take advantage of facilities already set up by its parent, such as a network of 500 approved repair centres for damaged

Guardian Direct aims to compete on both service and price. The company will haudle claims over the telephone and settle bills direct. Marketing material suggests "policy-holders can save up to 30 per cent off conventional motor and household policies".

Coal Invs plans to raise £11.5m for development

Coal Investments, formerly known as Geevor, plans to raise £11.5m to develop two pits for which it has agreed terms with British Coal to mine for 15 years.

It will raise £3.5m through the issue of loan stock to shareholders and £8m through which will be placed and half distributed through a 1-for-8 rights issue. The shares were suspended

at 76p three weeks ago, pending talks with British Coal and the financial arrangements announced yesterday. Dealings are expected to resume on March 28 following an extraordinary meeting.

The two pits, Hem Heath, part of the Trentham mine,

and Coventry, will be among the first to be licensed by British Coal. Coal Investments is also the

front runner for the lease to mine Markham Main colliery in South Yorkshire and may

The company started mining tion the story, of Coal Investcoal yesterday at Cwmgwili, south Wales, its only working pit. It plans to produce 120,000 tonnes a year and to make slightly more than £1m in operating profits on turnover of 26m at the mine, ahead of previous budgets.

arrangements Tbe announced yesterday will lead to the issue of 12m shares. In addition shareholders will receive warrants to huy one hare at 85p for every four shares thay take up in the rights. Shareholders will also be able to subscribe for zero coupon loan stock which will repay £1 for each 60p paid, equivalent to a gross yield of 13 per cent. The stock will also

COMMENT

As former commercial director of British Coal, Mr Malcolm Edwards, the chairman, has a strong background in sales techniques, which has etood him in good etead at Coal the potential coal, not to men-

re warrants attached.

ments has been crucial in the shares rising hy more than four times in the first five months after its re-incarnation. He sounded convincing again yesterday as he spoke of how his company could rely on sales of at least 2m to 3m tonnes a year by concentrating on industrial and household markets: salee to electricity generators would be additional. We will have to wait to see if this is fulfilled. The company does not expect to be making money until the year after next. Charles Stanley, its broker, believes at least £2.7m is likely for the year ending March 1996, putting the shares on a prospective p/e for that year of 11. These are early days yet and the uncertainty of a declining coal market means that the rights issue is not one for those with limited funds. But the company's cash generative potential and its relatively small capitalisation may prove attractive for institutions which can bear some risk in their portfolios.

Hirm Corre

Wainhomes to raise £32m from placing

By Andrew Taylor, Construction Correspondent

Wainhomes, the Chester-based bousebuilder, plans to raise £32m from a placing and offer for sale valuing the company

The company is the latest in series of househuilders to announce plans to come to the

Redrow, one of the UK's largest private housebuilders, is expected to announce proposals to float the company today

Beazer Homes - the country's fourth largest bousebuilder, presently owned by Hanson - last week published its pathfinder prospectus for an issue expected to raise

Details of the Wainhomes issue, hut not the price, were contained in a pathfinder prospectus published yesterday. Until recently Wainhomes only huilt homes mainly in north-west England.

The company will use the proceeds to repay borrowings currently £17m - and to buy

DIVIDENDS ANNOUNCE

17.8 3.5 2.9 4.3

recovery in the housing mar-ket in the UK.

Directors and their families now own 65 per cent of the sbares. They will have their stake reduced to just under 50 per cent following the issue. The company is forecasting pre-tax profits of £7.1m for the

year to March 31. This compares with profits of £5.3m in the previous year and a peak of £8.6m in the 12 months to March 31 1990. Mr Ron Smith, chief executive, said the company had

been remarkably resilient dur-

ing recession. Operating margins had remained above 10 per cent, having reached a peak of 18 per cent in 1990. The company now has operations in Yorkshire, Hampshire, Dorset and the south-east Midlands. It expects to

have sold about 950 homes by the end of March. This is expected to rise to between 1,200 and 1,500 next year, and then to 1,800.

The cash raised by the issue will help the group increase the number of plots with planning permission it owns from 3,000 to 4,000.

3,000	30 4,000.		
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ay 6	3.7	6.3	5.4
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r 14	4.25	7.85	6.25
ау З	1.675	6.7	6.7
ly 1	17.05	27.5	26.75
r 11	-	3.5	_
ay 2	2.2	4.2	3.2
-	4.15	11.S	10.9
- 00	•		-

Rolls-Royce **Power sells Victor**

By Simon Davies

Rolls-Royce Power Engineering is selling Victor Prod-ncts, its specialist lighting subsidiary, through a £10m management buy-in backed by 3i, the venture capital group. Mr Keith Jordan, a former divisional managing director at GEC, will take over as chief executive of the engineering

Victor Products, which was a listed company until Fehruary 1988, is raising £6m through equity finance and £6m through bank deht, to cover the costs of the purchase and boild up working capital.

The new management will own 20 per cent of the equity, and the remainder has been underwritten by 3i, which is likely to hring in two other venture capital groups. Victor Products is based in

north-east England and manufactures hazardous area lighting, primarily for the mining and oil and gas industries.

Its reliance on the mining industry has been beavily although British Coal remains a sizeable customer. It has also developed subsidiaries in South Africa and the US. Mr Jordan plans to intro-

duce new lighting products and expand the company's export markets, which currently account for only 10 per cent of domestic production. Victor Products has had a turbulent recent history. It was bought out for £13.8m by Northern Engineering Industries in January 1988 and a year later, its parent company taken over

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FINANCIALTIMES

NOTICE OF REDEMPTION EASTMAN KODAK COMPANY LIQUID YIELD OPTION NOTES DUE 2011 (ZERO COUPON-SUBORDINATED) CUSIP NUMBER 277461 BA 6

Dividends shown pence per share net except where otherwise stated. †On increased capital.

NOTICE IS HEREBY GIVEN that, pursuant to the provisious of the In e dated as of October 1, 1991 between EASTMAN KODAK COMPANY ("Kodak") and THE BANK NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of October 1, 1991 between EASTMAN KODAK COMPANY ("Kodak") and THE BANK OF NEW YORK, as Trustee ("Trustee"), KOOAK has elected to redeem on April 1, 1994 (the "Redeemption Date") all of its Liquid Yield Option Notes Due 2011 (Zero Coupon-Subordinated) (the "Rodemption Price"). The Redeemption Price of \$312.14 per \$1,000 principal amount of a Note at maturity, the Note issue Price of \$265.08 and accrued Original Issue Discount of \$47.06. Unloss Kodak defaults in making the redeemption payment, Original Issue Discount on Notes called for redeemption ceases to accrue on and after the Redeemption Date.

mpton must be surrendered to The Bank of New York, as Paying Agent, to collect the Red red to a Paying Agent outside the United States to collect the Redemention Price

tes are convertible into Common Stock of Kodak at the Conversion Rate of 6.944 shares of Common Stock for each \$1,000 principal amount of a Note at m ion may be converted at any time before the close of business on the Redemption Date. The closing price of a share of Com ange Composite Tape on February 25, 1994 was \$42 3/8. legistered Notes may be surrendered for payment of the Redemption Price, or may be surr

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The Bank of New York P.O. Box 11249 Church Street Station New York, NY 10286

The Bank of New York P.O. Box 11003 Church Street Str

Fiscal Agency - 7É New York, NY 10286

By Mail:

CONVERSION ADDRESSES

The Bank of New York Corporate Trest Wind Attu: Fiscal Agency - 7E New York, NY 1028

The Bank of New York Securities Window, Street Level Attn: Bond Redemption Unit - 13

By Hand:

101 Barcley 5

New York, NY 10286

carer Notes may be surrendered for payment of the Redemption Price, or may ourg) S.A., as Paying and Con-

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Citicorp (Luxembourg) S.

16 Avenue Marie Thérèse L-2012 Luxembourg

convert a Note, a Holder must (1) complete and, in the case of a Registered Note, manually sign the conversion notice on the back of the Note (or complete and manually sign a sainle of such notice) and deliver such notice to a Conversion Agent, (2) surrender the Note to a Conversion Agent, (3) furnish appropriate endorsements and transfer documents by a Conversion Agent, Rodak or the Trustee, and (4) pay any transfer or similar tax, if required,

amption or conversion procedures with respect to Registered Notes, you may direct them to The Bank of New York addresses as indicated about

on of any Note will be determined by Kodak, whose determination will be final and binding March 2, 1994

> EASTMAN KODAK COMPANY By The Bank of New York ,

as Trestec

Margins improved by focusing on higher value-added products

Inveresk turns in 60% rise to £9.26m

By James Buxton, Scottish Correspondent

Inveresk, the Scottish speciality paper manufacturer which floated on the Stock Exchange last June, made pre-tax profits of £9.26m in the 53 weeks to December 4 1993.

The result was a 60 per cent improvement on the £5.79m recorded in 1992. In both years the company incurred a loss of about £900,000 on discontinued activi-

Turnover oo continuing activities increased by 3 per cent to £90.5m (£87.9m). The company attributed part of its improved profits to the ending last year of unprofitable commodity papermaking at its mill at Inverkeith-

By focusing on higher value-added products and turning round its fine paper business, operating margins have been increased to more than 10 per cent, according to Mr Stefan Kay, managing director. Mr Kay said that the recovery in the UK paper market was "nervous, patchy

and uneasy." Confidence in the German market has taken a serious knock during the year because of recession, though sales Inveresk's products held np

Trading elsewhere in Europe was satisfactory, Mr Kay added, while sales to east Asia and the Americas continued to be encouraging and with coosiderable scope for the

Inveresk invested £7.2m in plant improvements, paid for out of cash flow, and plans to invest a further £6.5m in 1994.

Earnings per share were 16.9p (11.5p) and a final dividend of 8.5p is recommended. There was no interim dividend and inveresk said on flotation that the final dividend would be two thirds of a normal dividend.

• COMMENT

Inveresk is a solid company with experienced management in a moderately profitable niche of the paper market, factors which helped push its shares up from last June's issue price of 150p to 223p, before adding another 7p to 230p yesterday. Its stated aim is to become "Europe's leading speciality paper company", and it hopes to find a suitable target for acquisition in Europe or the UK. With £41m on its balance sheet and an unused borrowing facility of £20m, it should be well equipped to do so. Inver-esk may be able to profit from higher market prices and exploit its 20 per cent unused capacity, but could also suffer if wood pulp costs, now beginning to increase, go up further. Last year it enjoyed a tax charge of only 9 per cent because of allowances from past losses this year, however, the tax charge will be 28 per cent, and analysts believe pre-tax profits up to only £10m will be possible. That would mean reduced earnings per share of 13.7p, giving a multiple of 16.7 on yesterday's closing price of 230p. On that basis the shares look fairly priced.

Leeds & Holbeck declines 13%

Leeds and Holbeck Building Society saw pre-tax profits decline 13 per cent - from £8.84m to £7.72m - over the 12

months to December 31. The outcome, which masked a sharp improvement in the society's second half, was struck after a marginally reduced loan loss provision of £19.4m (£19.8m).

Total assets improved to £2.45bn (£2.43bn). The cost income ratio rose from 39.9 per cent to 41.5 per cent.

Acquisitions help Kalon increase to £18.8m

Bucking the geoeral trend in the UK paints market, Kalon, the paints group, again echieved sharp profits growth and increased market share in 1993 on turnover boosted largely by acquisitions. Under FRS3, pre-tax profits

jumped 77 per cent to £18.8m (£10.6m), though stripping out 1992's £2.62m exceptional charges - £1.56m for the abortive bid for Manders, then a rival paints maker, and £1.06m on the disposal of the chemicals division - reduces the advance to 42 per cent from 513.2m. Of the 518.8m profits. £4.82m came from acquisitions, mainly Novodec, the French private-label paints maker bought for £22m in February

Turnover grew by 34 per cent to £142.4m (£106.3m) including £34.1m from acquisitions. Thera was a furnround in interest - from £860,000 receivable to £150,000 payable. Mr Mike Hennessy, managing director, said this was because of the debt acquired with Novodec, higher financing charges and lower UK rates. Cash balances stood at £10.2m at the year end, against £12.3m. In the decorative division, where sales were flat at £96.1m and profits up 6 per cent at

£13.5m, retail paint eales slipped I per cent in both volume and value terms, while the total market fell by 7 per cent. Trade paint sales rose 15 per cent in volume and 11 in value as the market fell by 4 per cent in value. Total market prices fell by 4 per cent as the DIY sheds engaged in aggressive promotional activity.

Kalon said there was evidence this had abated and that prices were now more stable, though raw material prices were edging up.
The opening of 12 more Ley-

land trade centres is planned for 1994, to make 87 in all. The aim is for a chain of 110. In the specialist products division, now called Vallance since February's acquisition of that company for £6.2m, sales

were £6.5m and profits

£500,000. Mr Hennessy said that total sundry sales were £25m-£26m with £19m paint-related. The Vallance-enhanced division is expected to have sales of about £18in-£20m next year, with total sundries sales of up to

With the French market -where Mr Hennessy said prices were crazy - up 10.5 per cent in volume, Novodec rose by 19.5 per cent. The Leyland braod was launched into France last week coinciding

with the opening of the first trade centre in Lille. Earnings under FRS 3 advanced 91 per ceot to 9.88p (5.17p), or, otherwise, by 37 per cent from 7.2p. A final divideod of 2.9p makes at 4.2p total, up 31 per cent.

COMMENT

The inexorable rise of Kaloo continues. And there is nothing in the tea-leaves to suggest that this progress will falter. This is good news for Mr Hennessy's oow infamous and whopping triennial bonus scheme, oow due. In private paints - a mature business, which Kaloo had a big hand in developing - it has done well in difficult market conditions; witness ICI's dour comments last week. Trade paints - a developing business, especially in France – did even better. Expect both organic and acquisition led growth in Europe to build on the French progress. In sundries - a newish market worth up to £500m - Kalon has a lot to play for, while other territories in Europe offer the group opportunities to replicate what it has achieved in the UK and increasingly in France. Forecast pre-tax profits for 1994 are between £21.5m and £22.5m, giving a p/e of between 16.3 and 15.5, which is

TR Euro Growth launches issue

By Bethan Hutton

TR European Growth Trust, a specialist smaller com-panies investment trust, is planning to raise new capital through a conversion share

The trust currently has assets of about £73m. The C share issue is understood to be likely to increase that by at least one third, but if demand is there, the trust'e size could

TR European Growth invests mainly in quoted companies capitalised at less than £200m. though it also has a small portfolio of unquoted companies, particularly ones which are likely to seek a listing in the

future.
The company said there were clear signs of recovery in smaller company share prices, a feeling which appeared to be shared by other fund manag-

The non-UK smaller compa-

mes investment trust area is highly active at the moment, with the launch of the Piper European Smaller Companies Trust and the Govett Global Smaller Companies Trust, and another C share issue under way from Fleming European

ledgeling. "We feel very strongly that the European story is something that is going to go through over the next couple of years, and smaller companies are going to outperform the bigger ones, said Mr James de Sausmarez managing director of Hen-derson Touche Remnant Investment Trust Manage-

asset value grew by 31 per cent to 154.3p (99.2p) per ordinary share over the half year to December 31.

TR European Growth's net

Earnings per share were up 66 per cent to 1.01p (0.61p). The trust pays a single dividend at

General Accident

to 31.12.93 to 31.12.92 Unaudited **Audited** £m 4,181.8 3,831.5 General Premiums 464.8 493.2 Net Investment Income (510.1)(229.0)**Underwriting Loss** Life Profits 49.1 (29.3)Profit/Loss before Taxation 294.9 (26.9)Profit/Loss attributable to Shareholders 244.6 (7.0p)50.0p Earnings per Ordinary Share 27.50p Dividend per Share

- Pre-tax profit of £294.9m is after providing £8.9m for staff profit sharing:
- UK underwriting profit of £59.7m an improvement
- of £234.9m./ Encouraging improvement in the United States.
- Results in Canada adversely affected by storm losses and reserve strengthening.
- Good results from the Pacific.
- Strong performance from Life operations.
- Final dividend increased by 4.4% to 17.80p per share making a total of 27.50p per share, covered 1.8 times.

Nelson Robertson, Group Chief Executive, commented: "We start 1994 in a strong position and look forward to the remainder of the year with confidence".

General Accident plc

General Accident plc, World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

Scottish Eastern boosts net asset value 33% to 105.4p

the year to January 31, from

The net asset value per share £10.5m compared with £10.2m, of Scottish Eastern investment producing earnings per share up from 1.59p to 1.65p per

79.2p to 105.4p.

After a £1m fall in the tax is lifted to 1.06p (1.02p) charge to £3m, net revenue for for an increased total of 1.58p (1.52p).



All Holders of Common Stock of Banca Commerciale Italiana

therein after, the "Bank" I are invited to attend the Ordinary and Extraordinary General Meeting at 10 a.m., on 12th March 1994, in Milan, Piazza Belgioloso 1 and, if necessary, for a second meeting on 15th March 1994, at the same time and place, to consider and act upon the following

Agenda

Presentation of Balance Sheet at 31st December 1993, Board of Directors' management Report, Auditors' Report and related re-

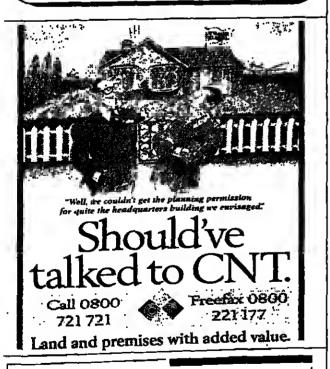
Any other business.

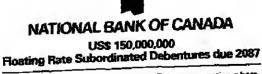
Proposal for merger of "ASTRA IMMOBILIARE Sri - Milen" and "CI.TRE Sri - Milan" with the Banca Commerciale Italiana SpA. Determination of merger conditions and formalities. Relevant resolutions and delegation of powers.

Holders of Common Stock entitled to vote may attend the General Meeting provided that they have deposited their shares at any Branch of the Bank or at Monte Titoli SpA at least five days before the date of the General Meeting, in accordance with the provision of Art. 4 of Law No. 1745 of 29th December 1962. This condition also concerns all Shareholders who are already registered at the Shareholders book.

Shareholders may arrange to be represented at the Shareholders' Meeting · In compliance with the provisions of an. 2372 of the Civil Code · by means of an ordinary proxy statement with signature authenticated by a Member of the Board, a Bank Director or Official, a Notary or a Consular Authority.

The Chairman of the Board of Directors





In accordance with the provisions of the Debantures, notice is hereby given that for the six month interest period from February 28, 1994 to August 31, 1994 the Debentures will carry an Interest Rate of 2,0025% per annum, adjusted in accordance with a notice published in September 1992

The Interest payable on the relevant Interest Payment Date, August 31, 1994 and amount to US\$ 105.42 for Debentures of US\$ 10.000 normal and US\$ 1.054.20 for Debentures of US\$ 100,000

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To the holders of Mortgage Capital Trust I Collateralized Mortgage Obligations, Series A

Class A-1 Bonds Due 1st June, 2017 Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period for March, 1994 through 1st June, 1994 is

By: Bankers Trust Company, as Trustee.

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O Segnal SOFTWARE GUIDE O for your guide and Signal price list.

£140,000,000 HMC MORTGAGE NOTES 6 PLC Mortgage Backed Floating Rate Notes due September 2030

Nonce is hereby given that there will be a principal payment of £2,350.00 per Note on the interest payment date March 21, 1994. The principal arrount cutstanding per Note will be £97,550.00. By: The Chase Machattan Bank, N.A. London, Agent Bank March 1, 1994

sales following the Los Angeles Pre-tax profits of Raine, the earthquake, which had not damaged any of its housing housebuilder and contractor, increased by 24 per cent from developments, but business £2.75m to £3.44m over the six months to December 31. was picking up again. Private sector house sales in The company was belped by the UK rose by 23 per cent to a strong performance from UK private sector housebuilding, which increased operating 803. The group had increased margins by reducing sales incentives and the cost of part profits by 80 per cent. The exchange deals had halved

interest charge was also sharply reduced, from £2.05m The figures, however, were dented by a £1.4m turnround in the Californian housing operation, which moved from a £819,000 profit to a £605,000 loss. As a result, Raine's operating profits were only marginally higher at £4.61m (£4.55m).

By Andrew Taylor,

dividend to 1p.
Turnover was virtually unchanged at £207m (£205.1m).

Shares in Silentnight Holdings

fell 18p to 355p yesterday after

Europe's biggest manufacturer of beds warned that its profits

for the year to January 31. would be "slightly below average market expectations".

Analysts had been forecast-

ing pre-tax profits of about £13.5m. However, the Lanca-

shire-based group said that its annual results on May 3 would be only marginally ahead of

Silentnight said it intended to hold the final dividend of

5.25p, to give an unchanged

The group said that in the

Sanderson Electronics, the

software supplier, has entered into e joint venture with ICL,

the information technology

company, through the ecquisi-tion of 80.1 per cent of ICL

Commercial Systems for

In eddition, Sanderson has

issued 278,636 shares to ICL for

cash et 330p eech to raise

Newmarket

more assets

ments and not current assets,

as the company continued its programme of asset realisation

cent (86 per cent) of net assets

with quoted shares and

unquoted investments falling

There was a pre and post-tax

loss for 1993 of £157,000 (£1.32m) giving losses per share of 0.43p (3.65p).

Details of the company's vol-

untary liquidation and distri-

bution of assets are expected to

be sent to shareholders in May

from £16.9m to £11.6m.

begun in 1990.

realises

The consideration will be shares.

Sanderson/ICL venture

last year's figure of £12m.

By Andrew Bolger

Silentnight shares

lose 18p on warning

Mr Peter Parkin, chairman, said the company had lost

Raine 24% to £3.4m

Social bousing profits fell in spite of a 21 per cent increase in sales, from 482 to 584 homes.

Raine benefiting from its recent contract with a consortium of Kent housing associa-tions to build more than 1,500 homes over three years. Cootracting and commercial property profits, affected by Earnings per share rose from 0.83p to 1.06p but, as expected, low margins and lower interest the group halved its interim on cash payments, dipped at

Volumes should increase fur-ther in the second half with

the pre-tax level from £817,000 The shares fell 4p to 99p.

UK it had maintained volume

in its beds division and

increased volume in cabinets,

The previously lossmaking US business was continuing to

recover, and the German sub-

sidiary, Matthias Houben -

bought in 1992 for £3.2m - was

showing a very setisfactory

The group said it had been conscious of the need to inform

the market at the same time

that trading had been disap-pointing. One factor in the decision had been the Stock

Exchange's recent guidance on

the disclosure of price-sensitive

agreed not to dispose of any

Commercial Systems shares

without the other's consent until September 30 1996

Brent Walker has achieved a

Last week holders of its vari-

return on investment.

Raine's Californian problems its exposure to recession-hit UK contracting and uncer-tainty over the dividend has distracted attention from a creditable performance by the UK housebuilding operations. Currently, operating margins on private house sales are ebout 12 per cent and still about 6 per cent for social housing. Increased sales should mean that social housing profits for the year will be et least maintained. Pre-tax profits of £14m in 1993-94 would put the group on a prospective p/e of more than 20 - falling to 14 times earnings on £20m in 1994-95. Over the pest 12 months the shares have underperformed the sector by 50 per cent. For a pure UK housebuilder Raine might look cheap. The question is how quickly the Californian housebuilding and UK contracting businesses may

Three buys for IMC as profits fall

IMC Industries, the USMquoted soft drinks, video tapes and in-flight entertainments company, reported pre-tax profits down from £202,000 to £165,000 in the six months to October 31.

The company announced the purchase of Eurotrade (UK), Creetion Entertainments and 50 per cent of Wideworld Trading for £143,000 cash and 25 per cent of the enlarged share capital of IMC Video. All are involved

in marketing videos. IMC has the option to acquire the 25 per cent at a profit-related price not exceeding £450,000. Eurotrade and Creation have net assets of about £22.5m. Wideworld has only recently begun trading. All three companies are con-trolled by Mr Brian Phipps, a

£919,500, which will be used to director of IMC. The company, of which the ultimate holding company is Cursitor (Fifty Two), said repay £569,500 of inter-com-pany debt to ICL and provide working capital for Commerdemand for its two main prod-A further consideration, of acts, soft drinks and video up to £1.95m, is profit rel-ated and may be paid in tapes, had remained weak. Further rationalisation had taken plece et Alpine Soft duced by IMC Video.

Turnover was £2.73m (£2.97m). Earnings per share came out at 0.07p (0.09p).

NEWS DIGEST Refinancing of Wm Hill achieved

refinancing of the £325m loan due to lenders to its William Hill betting shop chain. It has also secured the agreement of Net asset value at Newmarket Venture Cepitel was its term loan lenders for unchanged at 62p over the 12 changes in conditions necesmonths to December 31.

The split between investsary because of the group's deteriorating balance sheet.

cial Systems.

however, was greatly different able rate convertible notes accepted changes in their terms, principally extending the period when interest will At the end of the period be paid in preference shares investments made up 83 per rather than cash.

Bula Resources Russian moves

Bula Resources, the Irelandbased oil and gas exploration company, is expected to announce an acquisition in the next two weeks which could result in a share issue and the nomination of board members from the former Soviet Union.

The company has sought to quell speculation that it was withdrawing from negotiations in Russia by announcing that It was in advanced discussions with a number of parties.

Bula raised I£2.3m (£2.2m) through a placing earlier this

Thames Water \$500m deal

Thames Water has clinched a \$500m (£342m) deal to develop water and waste infrastructure in Mexico City as part of a consortium with two Mexican companies.

Thames is expected to invest a total of about \$50m in the joint venture, which has won a 15 year concession for the unicipality of Naucalpan. The first phase will require investment of about \$15m.

The UK water company will have a 45 per cent stake, along with Tribasa, a Mexican civil engineering group, while Epycsa, a specialist water contrector, will own 10 per cent.

UK housebuilding lifts Dawson to make £50m provision for US shake-up

By David Blackwell

Dawson International, the Edinburgh based textile group, is closing its fleece and jersey business in the US and taking £50m exceptional provision for the year to March 26 1994. The rationalisation was announced yesterday following an independent review of Daw-

sales of £214m in 1992-93, about half the group total. Last month the shares fell to 134p after the group warned that difficult US trading conditions would lead to "a very substantial exceptional provi-

on's US businesses, which had

sion this year. Yesterday they closed down

5p at 153p. Dawson is also considering the sale of Dawson Home Fashions, which makes shower curtains and bath mats.

Although it had 60 per cent

of the US market last year. DHF has been hit badly by import penetration. Operating profits in the six months to September 25 amounted to just £300,000 on turnover of £30.4m. The fleece and jersey business lost £8.9m on sales of £29.1m in the same period. Known as JE Morgan Apparel, it operates 12 plants and has

2,000 employees. Sir Ronald Miller, executive chairman, said the three plants making fleece, which is used in jogging suits, would be closed.

Three of the remaining plants are dedicated to making jersey, which is used for T-shirts and underwear.

These would be reorganised along with the jersey making operations of the mixed plants. with a view to a possible sale.

Dawson went into the jersey and fleece business in 1989, and was a supplier to Kmart, the US retailing group Sir Ronald said the business had been hit by excess capacity in the US. imports, lower sales in the recession and the battle between US retailers. He pointed out that Kmart lost \$1bn (£600m) in the fourth

Goodwill of £42m from the purchase of JE Morgan will need to be written off through the profit and loss account.

A further £14m will need to be written off if the shower curtain business is sold. The group's net debt at March 26 is expected to be

about £70m. It also has £27.9m of convert

ible preference shares. Dawson has two further businesses in the US. Morgan and Duofold, which make thermal underwear and other clothing. The group expects this year's results to be better

than last year's. Sir Ronald said the rationalisation would enable the company to concentrate on its profitable US operations.

TI expands in Asia with Singapore deal

By Andrew Baxter

TI Group, the specialist engineering concern, said yes-terday it had reached agree-ment with the Sembawang Group, e leading Singapore-based industrial conglomerate, to develop business opportunities in the Asia Pacific region. The agreement is an impor-tant step for TI, which is keen to expand in Asia.

The group and its associated ompanies already have sales of £100m in nine countries, including India and New Zea-

The two companies were nomic Development Board and signed e memorandum of understanding last month. Initially they will focus on develSingapore and China.

TI is also talking to Sembawang to explore opportunities for the Dowty aerospace busi-ness in south-east Asia.

The deal is the first such arrangement made by TI in Asia, although it does have a growing presence in the region Its John Crane offshoot has had a Japanese joint ven-ture for 25 years, and in 1991 bought e majority stake in Dover Japan, now called Japan Marine Technologies, to help it exploit the Asian market for marine seals.

As part of its regionalisation, local and international companies to combine resources to tackle the expanding regional market

Ocean sells liquid storage arm

Ocean Group, the industrial Panocean's Birkenhead termi-and distribution services com-nal for £3.7m. pany, has completed the sale of its bulk liquid storage operation, Panocean Storage & Transport, for £7m.

Tate & Lyle, through its United Molasses division, has bought Panocean Hull and

GATX Terminals has bought Panocean's Eastham terminal

on Merseyside. The UK disposals follow the sale of Panocean's non-UK activities in March last

	February	January	December	Novembe	
E FT-SE Actuaries Indices					
100 Index	3386.4	3431.3	3313.7	3111.9	
Mid 250	4043.2	3982.7	3662.1	3456.2	
350 Shere	1719.5	1727.1	1649.5	1550.7	
Non-Financials	1518.96	1818.87	1733.10	1643.34	
Financial Group	2606.29	2619.71	1300.30	1192.41	
All-Share	1709.09	1710.30	1626.88	1535.11	
Eurotrack 100	1495.18	1484,54	1423.55	1349.68	
Eurotrack 200	1553.11	1559.83	1496.00	1414.20	
E FT Indices					
Government Securities	103.92	106.50	106.56	103.12	
Fixed Interest	128.14	132.32	130.14	123.87	
Ordinary	2614.4	2620.1	2492.5	2357.9	
Gold Mines	2054.78	2270.36	2133.78	2021.80	
SEAO Bergeins	37,205	40,838	33,915	29,05	
	Highest Feb c	lose	Lowest Fet	close	
FT-SE 100	3520.3 (2nd)		3267.5 (24th)		
FT-SE Mid 250	4152.8 (3rd		3919.9 (25th)		
FT-SE A 350	1778.3 (2nd		1657.6		
FT-SE-A All-Share	1764.11 (2n		1650.48		

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ASW recovery under way with modest £0.1m 16% to £4.6m

By Andrew Baxter

ASW Holdings, the steel and construction products group, announced pre-tax profits of just £100,000 for 1993, but said it would return to satisfactory profits when margins better reflected the industry's costs. The outcome compared with

a £10.8m loss in 1992, but is lower than the 11m to 12m forecast by analysts in November, when the company issued a profits warning because of rising scrap prices - its main raw material - and reduced selling prices on the Cootment. Turnover rose from £367.8m to £428.5m, and operating profit on continuing operations bounced from £100,000 to £8.1m. But operating losses and provisions on discontinued operations - reinforcement engineering in steel and fabrication on the construction side were £4.1m (£7.8m) and net interest payable rose by £1m to

Losses per share were 0.7p. down from 16.2p. The final div-ldend is maintained at 3p, making an unchanged total of 6p. Operating profit in steel activities jumped to £9.4m from a loss of £600,000 in 1992. This reflected £10.4m of margin improvements - mainly in the second quarter but not maintained subsequently - and £2.1m from volume increases.

Crossroads Oil

returns to black

with £156,000

Share price (pence):

1983 Source: F7 Grechite

offset by £2.5m of electricity price increases. Mr Alan Cox, chief execotive said the company had survived three years of "awful" prices in the steel industry. But Allied Steel & Wire had made further improvements in productivity last year, with sales per employee rising from £135,600 to £155,500. He predicted further

improvements in productivity and said there had been some improvement in margins since the year-end. The issue of subsidies for lossmaking competi-tors in Europe was coming

under attack, be said, but added: "We object to people being subsidised to sell steel at below the cash costs of the lowest-cost producer".

The operating loss in construction systems deepened from £3.5m to £4.2m, but Mr Edward Townsend, tha new finance director, said continuing operations were making significant progress - espe cially the new stressing, tie and anchor systems - and a return to profitability is expec-

• COMMENT

At 190p, ASW's share price has recovered from the jolt caused by November's profit warning, and the market is clearly betting that profits will rise quickly when margins improve. There are some signs of margin improvement in Europe, but demand for scrap is increasing as continuous production shifts to electric arc furnaces, underpinning the price. Fortunately the company remains on a roll when lt comes to cost reduction, which in the short-term might provide greater benefits than margin improvement. Based on pre-tax profits of £4.8m to £5m this year, the prospective p/e is a heady 50. That may look over-optimistic, but the yield is not out of line with the sector

Wm Sinclair at £1.3m

By David Blackwell

Crossroads Oil Group, the USM-quoted oil and gas exploration company, swung back into the black with pre-tax profits of £156,000 for the six monthe to end-December. That compared with a deficit of £298,000 last time and came

from turnover - boosted by a £536,000 contribution from the Crossroads-Melrose joint venture - up from £234,000 to £645,000. There was a nil tax charge

for both periods and earnings per share came out at 0.286p (0.694p losses). The company

announced that shareholders at yesterday's EGM had voted unanimously in favour of a capital reconstruction to offset the deficit on the profit and loss account.

Subject to completion of the reconstruction and sustained profitability, the board intends to declare a dividend in 1994.

in unseasonal half

Both turnover and pre-tax profits eased in the first half at William Sinclair Holdings, the supplier of products to the garden, leisure and pet mar-

Tha Lincoln-based group reported profits of £1.35m on turnover of £16.5m for the six months to end-December, compared with £1.39m on £16.6m

Nat interest receivable fell from £192,000 to £92,000, mainly reflecting lower interest rates. The horticultural division

was again affected by the continuing trend of customers to defer taking delivery of stock. The pet, aquatic and house-hold division was also starting to find that an increasing amount of sales took place in the second half. However, horticultural deliv-

eries were now beginning to pick up in readiness for the gardening season.

Mr Tom Sinclair, chairman, said yesterday that the results were encouraging, and had left the group in a good position to benefit in the second half. "The better the weather is, the better we will perform in the next six months.

In January the group acquired Zeneca's compost business for £2.76m. Turnover for the business for the 1993 year is estimated at £3.7m with profits before tax and interest of £436,000.

Mr Sinclair said the acquisition had doubled the group's peat resources and increased its share of tha professional grower market.

Earnings per share dipped 4.4p to 4.2p. The interim dividend is maintained at

NEWS IN BRIEF

ASHTEAD GROUP has bought CSE Plant for £570,000 cash and a property in Maidstone, Kent, for £350,000 cash from Wiltshier. CSE reported a 1993 pre-tax profit of £120,000 on turnover of £1.6m and at completion book value of its assets

CABLE & WIRELESS has sold Northern Ocean Services, its offshore marine subsidiary, to McDermott in a move to increase the focus on core

EFM INCOME Trust: Net revenue for nine months to January 31 rose to £523,000 (£470,000) for earnings of 3.5p (3.1p). Third interim dividend of 1p makes 3p (3.6p) so far. ELECTROCOMPONENTS has purchased Radio Spares Com-ponents for NZ\$4.2m (£1.6m) cash. The Auckland-based company has been exclusive New Zealand distributor for Electrocomponents' RS Components

offshoot since 1987. It achieved operating profit of NZ\$840,000 in the year to end-August 1993, on turnover of NZ\$3.9m. Net assets amounted to NZ\$860,000, including cash of NZ\$73L000. REGENT CORPORATION, the Surrey-based property davel-oper, is buying Grantmena, the Sussex-based housebuilder, for

RJB MINING said that of the 4.11m new ordinary shares available in its open offer, 2.09m were placed firm at 840p, and at the closing date for applications 4.09m shares (99.4 per cent of the offer) had either been placed firm or taken up by shareholders. Dealings are expected to commance on

SARACEN VALUE Trust has received applications for 37m ordinary shares with warrants attached in its placing and offer for subscription. All applications will be met in full and dealings are expected to commence on March 7. SCOTTISH INVESTMENT

Trust: Net asset value up 9.2 per cent to 305.8p per stock unit in the first quarter to January 31. Total assets expanded £85.6m to £912.2m. SHIRES has announced terms

of its offar for Barrhead, another Scottish bathroom group. The offer comprises an initial cash element of 50p a abare and a production-related payment up to a maximum of 55p a share, valuing Barrhead's share capital at up to £912,000. SUTER has enlarged its haircare supplies business through the purchase of D&G Haselock for £2.8m, funded from cash deposits and bank borrowing. Combined business will have annual sales of 215m.

WORTHINGTON GROUP rights issue of 6.32m shares has been accepted in respect of 93.3 per cent.

FINANCIAL TIMES

NEWSLETTERS

A new newsletter from the Financial Times

FT Newsletters will be launching a new newsletter in 1994, designed to contain only the sharpest news and statistics about the automotive components industry. It will probe beneath the surface of the industry and supply its subscribers with the practical intelligence they need to keep

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Admiral ahead

Profits before tax at Admiral rose 16 per cent to £4.61m in 1993 as the computing services company reaped the benefit of its move into defence software and client-server technology.

Turnover was up 19 per cent at £36.5m (£30.9m) and operating profit jumped 23 per cent at £4.35m (£3.53m). Cash in hand at the year-end

was £5.3m (£4.4m), but falling interest rates resulted in a 43 per cent decline in net interest receivable, from £452,000 to £260,000.
Admiral has maintained

growth in sales, pre-tax profits and earnings per share since it went public in 1987. It recruited new staff throughout the recession. Last year staff numbers rose 20 per cent to 662 and now stand at 790. Mr Clay Brendish, chairman, said yes-terday that Admiral was a dominant force in the clientserver marketplace which he

Net assets up at Fidelity Euro

Total net assets at Fidelity European Values stood at £69.6m at end-December, a 62 per cent risa from the 243m reported at the previous year end; net asset value rose from 103.54p to 167.49p per

Dividend income was ahead at £1.68m (£1.36m), but a cut in deposit interest earnings from £569,000 to £115,000 meant revenue after tax was reduced from £203,000 to £133,000, reducing earnings per ahare to 0.32p

No final dividend is recommended, leaving a total maintained at 0.3p.

believed would grow strongly in the future.

Client-server systems replace centralised mainframe computing with combinations of network servers and intelligent workstations.

The company is now active in the defence, finance, govern-ment and industrial sectors with a growing presence - accounting for 9 per cent of sales - in commerce. It provides computing services, software products and training and has overseas operations in Australia and Singapore.

Earnings par share were 27.6p (24.2p) and a final divi-dend of 4.3p makes a total for the year of 6.3p (5.4p). Dividend cover is 4.3 times.

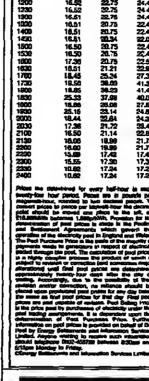
Mr Brendish said there was good evidence of recovery in the economy and he expected a further good year. Analysts are looking for growth of about 24 per cent for the current year giving profits before tax of

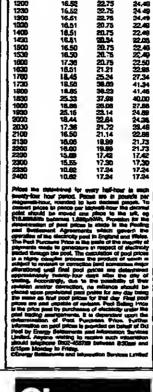
Murray Income assets growth

Net asset value per ordinary and B ordinary shares of Murray Income Trust stood at 367.8p at the six months ended December 31, up from 316.9p six months earlier and 293.5p a

Net revenue rose to £4.47m, against £4.17m for the comparable period. Rarnings emerged at 5.47p

(5p) per ordinary share and 5.42p (4.95p) assuming conversion of the B ordinary shares. As forecast, tha directors are recommending an increase in the final dividend from 4.15p to 4.3p, raising tha total for 1994 to 11.3p





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EU reforms lift farmers' incomes

Reform of the common agricultural policy boosted farm incomes last year, the European Commission said

The commission published initial estimates based on accounts from 58,000 farms across the European Union which ebowed an overall decline in income of 1.2 per cent last year. But sectors subjected to the 1992 MacSharry reforms moved strongly against the trend

According to the Eurostat and cattle sector rose by as mucb as 25 per cent last year compared with 1992, while specialised cereal farmers enjoyed an 11 per cent increase and dairy farmers saw a 7 per cent

Mr René Steichen, EU farm commissioner, said the commission's analysis of the figures "clearly indicates that the production sectors subject to reform experienced a significant income increase in 1993". This runs counter to popular belief among farmers that the reforms, which cut price supports to reduce production and introduced direct income payments or livestock payments in compensation, would be financially painful. Mr Steichen accepted that

hut added: "The figures none theless confirm the positive benefits for farmers of improving market balance, as well as the income stabilisation effect of direct payments". The agricultural sectors that

the reforms were not the only

reason wby incomes had riser

suffered most last year receive only light support from the CAP or bave not yet been reformed. Pig and poultry farmers took a 37 per cent knock to their incomes while horticulturalists were down 8 per cent and wine-makers suffered a 14 per cent decline. incomes varied enormously between member states.

according the Eurostat figures, with a rise of over 15 per cent in the UK contrasting with a fall of nearly 15 per cent in Germany and 11.7 per cent in the Netherlands. The UK benefited from currency devaluation, which pushed up the value of Ecu-based payments, and is heavily dependent on sectors that underwent reform. Germany and the Netherlands produce a lot of pigmeat, wine and vegetables between them, the sectors that suffered last

The commission qualified the overall income drop of 1.2 per cent, pointing out that farmers received only 86 per cent of the direct payments due to them during 1993.

MARKET REPORT

Coffee and cocoa steady

London Commodity Exchange COCOA and COFFEE futures showed steady gains yesterday after Monday's sharp decline but traders described trading as "unenthusiastic". May delivery cocoa ended £7 up at 917 a tonne after dipping to £905 early on. Most traders thought support at £900 was likely to bold, though some thought a slide to £870 possible unless fresh outright buying returned. The coffee market enjoyed light support from a further drop in US certified stocks and

the May price closed at \$1,223 a tonne, up \$10. At the London Metal

ally lower tone.

Compiled from Reuter

(As at Monday's close) tonnes					
Akıminlum	+3,700	to 2,568,825			
Aluminium alloy	+180	to 47,100			
Copper	-4,450	to 554,500			
Lead	-100	to 830,675			
Niction	+1.074	to 133,284			
Zinc	+9.550	to 1,049,400			
The	- 195	to 22,210			

379.4 381.4

PALLADIUM NYMEX (100 Tro

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; \$/troy oz.)

Exchange COPPER set a gener-

Electricity costs may hit Elkem smelters

By Karen Fossii in Oslo

Elkem, the Norwegian light metals producer, said yesterday that temporary lay-offs were possible at some of its smelters because domestic spot market prices for electricity had more than doubled to NKr0.48 a kW/hour in the past two days.

An official said the company had been considering increas ing output at ferro-chrome and ferro-silicon smelters. But it was now reviewing the plan and might have to reduce capacity even for aluminium. Elkem consumes about 8.5bn MW/hours of electricity annu-

ally for light-metals production but on an annual basis it buys just 10 per cent of its electric ity needs in the spot market. The remainder is supplied under long-term, fixed-rate contracts and from its own generating plants.
Norway's electricity market

has been undergoing reform during the past couple of years and is considered one of Europe's most liberal. Because of this the government has refused to intervene to stem rising prices.
Energy analysts say prices

have risen because of the unusually cold weather and speculation that electricity suppliers have not secured large enough trading agree-ments with neighbouring Sweden and Denmark to cover a shortfall in domestic produc-

would allow the ceilings for imports of electricity to be lifted so that suppliers could cover any shortfall in domestic production. It has also coneulted Swedisb and Danisb authorities on the issue. Average prices for electricity

so far this year have been NKr0.18 a KWh, according to government figures, but have shot up in the past two days to around NKr0.48 during the day and NKr0.35.5 in the evening.

UK set to take lead in North Sea oil stakes

By Karen Fossii and Robert Corzine

Britain could overtake Norway this year as western Europe's biggest producer of oil and nat-ural gas liquids and might be able to maintain a forecast eak ontput of 2.5m harrels a day until 1998, according to Wood Mackenzie, the Edinburgh-based energy consul-

Norway'e contribution to North Sea output would fall to 49 per cent from 53 per cent in 1993 while UK production was expected to rise by 30 per cent this year.

The decline in Norway's

share would occur despite an

expected 9 per cent increase in

output to a record 2.59m barrels a day. WoodMac said. It estimated that 327 field production days would be lost in Norway this year, up from 160 in 1993, because of sched-

included the shutdown of the Ekofisk centre, the hub for oil and gas fields that feed into the Norpipe transportation sys-

tem.
"Scheduled maintenance is expected to result in the deferment of over 28m barrels of production in 1994 compared with 16m barrels in 1998," the consultancy said. Unscheduled stoppages in 1993 accounted for 14 per cent of total lost produc-tion days, it added, resulting in the deferment of more than 2m barrels of oil and natural gas

Four new Norwegian fields were expected to be brought on stream this year, contributing some 80,000 b/d a day. But the new supply would be staggered throughout the year and there-fore would not have a significant impact on Norway's pro-

duction profile On the UK side of the North

uled maintenance. That Sea WoodMac believed that the present build-up of production to a forecast average of 2.5m b/ d this year might be maintained to 1996. The figure is the highest since 1987 and, if achieved, would represent a second peak in UK North Sea

production. The forecasts coincided with the publication, yesterday of official figures confirming the surge in UK petroleum production, in the three months to the end of January oil output was 30m tonnes, a 21.4 per cent rise from a year earlier, according to the Department of Trade and Industry. Natural gas output rose by 15.4 per cent.

The optimistic outlook of the WoodMac study was based on the likelihood that a record number of new fields - 62 -

reserves, such as the Foinaven and Schleballion fields, which British Petroleum and its partners have found in deep water west of the Shetland Islands. The fields likely to be developed contain at least 3.5bn barrels of oil and 18 trillion cubic feet of natural gas, equivalent to about 30 per cent of the UK's remaining commercial

Their importance in sustaining higher levels of UK output is such that by 2000 they could account for 40 per cent of total oil production.

The WoodMac analysts conceded that the persistence of prices for the benchmark Brent Blend of under \$15 a barrel would erode the confidence of companies. But their research suggested that a relatively high level of developme activity would continue on the UK continental shelf. The study estimated that investment of £15bn in real terms would be needed to develop the fields. Peak annual expenditure of £3bn would be in 1996, when it would account for 70 per cent of the industry's expected capital spending.

Ms Kate Jackson, a Wood-Mac analyst, said the fields under etudy showed a bias towards oil, whereas gas figured more prominently in previous years. The potential gas production of the fields of 3,000m cubic feet a day by 2000 was unlikely to be required, she said, even though independent gas marketing companies were lining up sources of supply to compete with British Gas when the domestic market was opened up to competition

beginning in 1996. The development timetables of some of the mainly gas fields could slip, she said, until gas demand increased in the early years of the next decade.

Sri Lankan planters thirsty for privatisation

would receive development

approval in the next three years or so. Those included

some with large potential

Mervyn de Silva reports on conflicting interests in the world's leading tea industry

ri Lanka's tea and rubber industries, two major export sectors, have done remarkably well in the first year of partial privatisation and President D.B. Wijetunge is keen to move on to the next stage. But there are political

period in 1992. Coconut produc-

tion did less well, dropping by

SOFTS

M COCOA LCE (E/torme

Tea production rose to 117m kg in the first six months of 1993 and the estimate for full the year is 230m kg. The first half figure represents a 37 per cent rise over 1992, when a severe drought, the worst in 30 years, cut production to 179m The government said that it kg, Rubber production in the first six months was 62m kg, up 30 per cent on the same

The first phase of privatisa-tion began in July 1993 when 22 management companies signed profit-sharing contracts with the government, which retained ownership of the plan-tations nationalised by the centre left coalition of prime minister Mrs Bandaranalke in 1972.

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

Politics decided the issue then - Mrs Bandaranaike's minister of plantation industries was a Marxist - and it was the decisive factor in President Premadasa's compromise

in 1992. Mr Premadasa's dilemma was understood by the IMF and the World Bank, which had been pressing the government to dismantle the two state corporations that owned the plantations. The estates employ well over 500,000 workers, of which 80 per cent are members of the Ceylon Work-ers' Congress, which is also a political party with five members in parliament. The CWC president, Mr S. Thondaman, the most successful trade union boss in the island's his tory, has been a cabinet minis-ter since Mr J.R. Jayawardene led the conservative UNP to a sweeping victory in the 1977

This UNP/CWC alliance not only guaranteed a block vote but trade union "peace" on the strategic plantations. If any-

thing, President Premadasa, Mr Jayawardene's successor, was even friendlier, and Mr Thondaman stood by him in

r Javawardene and Mr Premadasa, Colombo-based "lowcountry" politicians, saw Mr Thondaman as an important ally in view of the danger that that the separatist Tamil "tigers" of the north might infiltrate the tea estates and open a new front. But Mr Wijetunge. Mr Premadasa's successor, has been determined to limit the union boss's influence. The new president is a hill country "Kandyan" (Kandy is the central province capital) and the Kandyans have no reason to like the tea pluckers. The British evicted them from their traditional homelands to plant tea and settle cheap indentured Indian

Tamil labour. If he is to press forward with privatisation, however, Mr Wijetunge will have to balance

commercial advantage against electoral cost. Moving this highly regulated industry into private ownership will entail a loss of economic protection for Mr Thondaman's members and of many of their votes for the president. But planters are impatient for measures to reduce their cost disadvantage

in the export market. The basic daily wage for tea pluckers was raised from SLRs60 to SLRs70 last June and then to SLRs82, about US\$1.70, in July. Wages amount to 60 to 70 per cent of the cost of tea production in Sri Lanka, compared with only about 40 per cent in India, Kenya and Indonesia. More recently devaluation of the Indian rupee has given Sri Lanka's main rival a further

The critical factors are cost of production and net sale average. India and Kenya help producers to limit production costs and Indonesia has assisted planters by reducing interest rates. And in all three countries lower wages are "Mr Thondaman, who is a cabinet minister, has got us by

the throat," says a Sri Lankan planters' association official. Spelling out Sri Lanka's strategy, plantations industries minister Mr Rupa Karunatilleke stresses privatisation, removal of excessive export duties and exchange liberalisation. "Aggressive marketing should emphasise health now that there is increasing consumer preference for natural products," he argues.

But the main problem, he admits, is that Sri Lanka's production is almost 90 per cent orthodox tea, when 50 per cent of world demand is for the CTC (cut, tear and curl) type. Sri Lanka has now decided to convert 20 per cent of its tea production to CTC over the next three years, and 25 CTC products are in the pipeline. The cost of conversion will be about US\$18m. "All matters are open to negotiation," Mr

COMMODITIES PRICES

BASE META						
	LONDON METAL EXCHANGE (Prices from Amerigamated Metal Trading)					
ALUMINIUM, 99.7						
	Cash	3 mths				
Close	1282.5-3.5	1306-7				
Previous	1288.5-9.6	1311-2				
High/low AM Official	1283-3.5	1311/1302 1307,5-8,0				
Kerb close		1303-04				
Open Int. Total daily tumover	269,503 47,549					
M ALUMINUM ALL						
Close	1140-6	1160-6				
Previous	1142-5	1162-5				
High/low	4446.0	4445.0				
AM Official Kerb close	1145-9	1185-9 1160-70				
Open Int,	3,581					
Total daily turnover	269					
■ LEAD (\$ per tonne	455.5-6.6					
Close Previous	439.5-0.5 471.5-2.5	470-1 485-6				
High/low		479/468				
AM Official Kerb close	462.5-3.5	477-7.5 473-4				
Open Int.	34,283	4/3-4				
Total daily turnover	6,562					
NICKEL (\$ per tor	_					
Close	5805-15	5855-65				
Previous High/low	5865-70 5840	5915-20 5900/5855				
AM Official	5830-0	5875-80				
Kerb close Open int.	51,759	5865-78				
Total daily turnover	7,514					
TIN (\$ per lonne)						
Close	5410-15	5445-50				
Previous High/low	5445-50	5480-5 5490/5420				
AM Official	5465-70	5490-5				
Kerb close Open Int.	20.035	5440-5				
Total delly turnover	4,643					
ZINC, special hig	h grade (\$ per l	tonne)				
Close	945-6	963.5-4.0				
Previous High/low	947-9	965-7 967/962				
AM Official	947-8	966-6.5				
Kerb close Open int.	108,499	965-6				
Total delly turnover	16,142					
COPPER, grade /	(\$ per tonne)					
Close	1845-6	1869-70				
Previous High/low	1880-1 1854.5/1854	1883.5-84 1881/1860				
AM Official	1854-4.5	1877.5-78				
Kerb close		1872-3				
Open int. Total daily turnover	249,294 50,213					
LIME AM Official LIME Closing £/\$	2/5 rate: 1.491	0				
Spot: 1.4855 3 mite: 1.48	04 6 mbs:1,4763	9 mitte: 1.4739				
HIGH GRADE CO	PPER (COMEX)					

Clean change 85.75 -0.55 85.75 -0.70 85.90 -0.75 85.90 -0.78 86.05 -0.70 88.15 -0.70 7,486 975 32,635 849 7,814 388 60,264 85.25 85.70 85.90 86.85 85.75

PRECIOUS METALS LONDON BULLION MARKET

(Prices supplied	Dy N M Hothschild	9
Gold (Troy oz.) Close	\$ price 381.10-381.50	€ equiv.
Opening Morning fix Alternoon fix	380.50-380.90 381.10 381.30	255.909 256.509
Day's High Day's Low Previous close	382_10-382.50 380.30-380.70 381.60-382.00	
1 month	Gold Landing Rate 3.96 8 month 3.09 12 mont 3.13	s3.2
Silver Fix Spot 3 months 6 months 1 year	p/troy cz. 367,75 362,15 368,70 375,15	US cts equiv. 532.75 537.40 542.85 553.80
Gold Coins Krugerrand Maple Leaf	\$ price 382-385 391,45-393.90	£ equiv. 257-260 en.es

- 135.80 135.10 259 -0.90 137.90 136.00 4,236 -1.15 135.60 135.50 371 -1.40 138.00 136.00 161 SILVER COMEX (100 Troy oz.; Cents/troy oz.) -6.3 539.0 528.0 6,627 5,664 -6.5 542.0 530.0 65,721 25,607 -6.4 546.0 534.0 16,655 882 -6.3 548.0 541.0 3,603 37 -6.2 556.0 543.0 8,747 193 -6.1 286.0 543.0 8,747 193 **ENERGY** ■ CRUDE OIL NYMEX (42,000 US galls. \$/borrel) Letest Dey's price change 14.61 +0.13 14.77 +0.13 14.97 +0.13 15.17 +0.13 14.73 14.41 112,189 38,608 14.60 55,890 14.83 60,325 15.06 24,791 Latest Day's price change 13.50 +0.15 13.66 +0.17 13.82 +0.17 13.25 65,175 1.
13.46 31,078 6,
13.56 14,563 1.
13.57 9,450 4.
103 4,747 2.
20 2,658 104 23,108 13.56 13.78 III HEATING OIL HYMEX (42,000 US galls; C/US galls) Leitest Doy's
price champe High
44,75 -0.14 45,45
41,50 +0.56 43,50
44,10 +0.56 44,10
44,55 +0.58 44,55
45,50 +0.58 44,50 44.40 48.399 23.835 43.65 43.05 43.275 43.85 43.05 43.275 43.60 43.00 25,476 44.10 43.70 18,698 44.85 44.75 8,750 45.90 45.90 6,926 48,369 23,835 6 43,275 7,522 10 25,476 2,382 10 18,698 1,249 15 8,750 553 10 6,926 523 175,083 62,387 Day's Change High Low Int +0.25 140.75 139.25 28,141 -0.50 138.75 138.50 13,181 -1.00 138.75 138.00 13,181 -1.00 138.75 138.00 15,801 -0.75 141.59 140.50 10,281 -1.25 143.75 143.25 5,007 25 29,141 4,418 50 23,660 3,179 50 13,181 1,774 60 15,801 1,566 50 10,261 315 25 5,067 78 116,677 14,115 MATURAL GAS NYMEX (18,000 mmBhz; \$/mmBhz)

| Cory | Corp |

-3.1 383.6 578.8 - 3 -3.1 385.5 380.7 72,997 18,707 -3.1 387.3 384.0 32,262 3,377 -3.1 388.9 388.9 5,017 111 -3.1 382.3 397.8 4,160 1 -3.1 384.1 394.1 12,844 522 PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) 993.5 -4.2 396.0 382.0 14,034 2,405 394.2 -4.2 396.5 393.5 3,808 659 394.5 -4.2 397.5 395.0 1,072 211 394.9 -4.2 397.0 395.0 473 18 396.0 -3.8 389.0 387.5 437 205 **97.25** 678/4 684/4 687/2 679/4 663/0 136.5 156.8 130.0 80.0 105.0 1192 1189 1068 1250 1255 Close 1115

Sett Degra price change High Lost Int Vol 1923 -0.05 102.50 101.75 257 25 103.85 -0.35 104.90 103.00 2157 201.15 +0.15 104.90 103.00 427 25 91.55 +0.05 -192 92.65 +0.15 92.50 82.50 89.8 3 94.40 +0.15 94.25 94.25 384 3 WHEAT CBT (5,000bu mirr; cents/60lb bushel) 340/5 -1/6 346/0 340/0 16,839 22,870 344/0 -1/2 346/2 342/6 72,945 41,000 333/4 -1/4 335/6 332/2 85,610 41,755 332/2 -1/6 337/4 334/6 14,295 21,000 343/0 -1/4 345/0 342/6 18,085 2,160 346/0 -1/4 -10 MAIZE CBT (5,000 bu min; cents/56lb bushel) -0/6 288/U 283/4 77,806 87,800 - 294/8 282/2 840,005 167,055 +0/2 297/8 295/4 517,720 68,705 +0/8 283/U 281/4 115,460 6.500 +1/4 289/6 266/6 267,225 25,955 +1/8 275/4 272/6 18,455 270 ■ BARLEY LCE (2 per torme) 251 212 +1/2 581/2 576/2 51,790 54,765 +0/6 587/6 582/0,298,770 127,915 +0/4 590/0 585/0,223,895 27,835 -0/2 683/0 576/4 38,515 1,590 -0 685/0 582/4 18,560 820 SOYABEAN OIL CET (60,000lbs: cents/fb) 28.99 +0.14 29.13 28.80 10,716 4,219
28.04 +0.12 28.18 28.80 36,572 8,251
29.00 +0.10 29.12 28.78 25,746 2,595
28.52 +0.06 28.65 28.35 6,870 370
27.98 +0.09 28.05 27.80 8,758 210
27.12 +0.17 27.15 27.00 5,473 253 SOYABEAN MEAL CET (100 tons; \$/ton) 191.6 -1.2 193.6 191.3 7.480 192.7 -0.7 194.0 191.6 30.762 193.4 -0.5 194.5 192.2 23.903 192.5 -0.3 193.6 191.7 6.926 191.1 -0.4 192.5 190.6 5.145 189.9 -0.6 191.5 189.8 2.886 5,145 2,886 85,834 POTATOES LCE (Extense 36 1,677 970 2 +12.0 140.0 124.5 +12.5 158.0 143.5

Minor Metals
European free merket, from Metal Bulletin, \$
per lb in warehouse, unless otherwise stated
(sast wask's in brackets, where changed). Antimeny: 99.6%, 6 per torne, 1,675-1,730. Stematth: min, 99.5%, torne lots 2,25-2,45.
Cadealum: min, 99.5%, 100-0.68. Collegit: MS
free market, 99.6%, 22,00-22,00 (21,00-22,00);
99.3%, 16,50-17,00 (16,20-17,20). Mercury:
min 99.994. \$ ner 28 in feets (93,10). Metals 593-3%, 18.50-77.00 (18.20-17.20). Mercury: min. 98.9%, \$ per 78 ib flests, 90-100. Molyb-denum: drummed molybdic cride, 2.80-2.85. Selenium: min. 99.5%, 3.90-4.75. Tungsten ore: standard min. 65%, \$ per torne unit (10kg) WO₂ cd, 27-39. Vanadium: min. 99%, cft, 1.35-1.45. Uranium: Nuexco exchange value, 7.00. ■ CRS Futures (Base: 4/9/56=100)

Sett Dey's price change High 882 4,577 2,558 905 23,146 4,218 918 14,534 763 990 11,192 400 944 17,326 503 962 22,950 288 ■ COCOA CSCE (10 tonnes; \$/tonnes) 1138 +18 1145 1154 +15 1157 1176 +11 1160 1201 +12 1193 1232 +13 1235 1267 +13 1265 1195 542 32 1134 36,120 4,281 1160 16,602 578 1186 7,822 46 M COCOA (ICCO) (SDR's/tonne) 900.24 COFFEE LCE (\$/tonne) 1199 2,070 771 1212 15,403 1,490 1217 8,091 1,172 1220 3,574 562 1223 3,486 620 1227 4,091 500 39,723 8,269 1215 1226 1224 1225 1231 1213 1221 1223 1224 COFFEE 'C' CSCE (37,500lbs; cents/lbs) 74.85 +0.25 75.90 74.80 1,021 335 76.65 +0.25 77.06 76.80 30,085 8,683 78.05 +0.25 78.05 76.80 30,085 8,683 78.05 +0.10 78.00 78.00 7,350 1,17 238 80.65 +0.15 81.00 80.65 3,118 83 81.85 +0.05 82.10 81.85 1,048 23 42,718 10,833 COFFEE (ICO) (US cents/pound) Feb 28 III No7 PREMIUM RAW SUGAR LCE (cents/ibe) 1201 +0.03 11.34 11.25 12.42 +0.44 12.05 12.05 11.89 -0.56 12.48 12.48 11.87 -0.06 11.87 11.87 804 1,477 2,902 135 4,514 WHITE SUGAR LCE (\$Atomic) May 327.90 +0.90 328.00 324.50 7,839
Aug 323.30 +1.80 324.00 320.60 3,911
Oct 302.20 -0.40 303.00 301.50 3,161
Dec 299.50 -0.10 - 128
May 299.20 +0.30 299.00 298.30 346
May 299.20 +0.10 - 190
Total 15,791 1
III SUGAR *11' CSCE (112,000/bs; cents/bs) 929 11.78 -0.02 11.90 11.73 2.088 2.961 11.90 -0.02 12.11 11.93 62.183 6.224 11.58 -0.06 11.95 11.54 22.965 2.073 11.38 -0.10 11.48 11.40 6.969 360 11.32 -0.05 11.39 11.38 943 1 1224111.38 11.40 8,969 389 11.38 943 1 122,411 13,385 ■ COTTON NYCE (50,000 be; cents/lbs) ■ ORANGE JUICE NYCE (15,000bs; cents/be)

108.50 +2.20 108.75 104.55 2.858 37 109.40 +1.75 109.90 107.90 8,168 1,117 112.05 +1.85 113.50 110.80 4,278 758 114.35 +1.85 113.00 112.85 1,704 10 2,056 37 8,168 1,117 4,278 756 1,704 10 1,136 20 1,147 78 18,548 2,920 +1.05 117.25 116.75 VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CBCE and IPE Guide Oil are one **INDICES** REUTERS (Base: 18/9/31=100) Peb 28 month ago 1792.7 1735.7

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/lbs) Soft Day's Upon Upon Inc. 10,000 Upon In 73.375 -0.090 73.590 73.775 12.201 73.725 -0.100 73.875 78.560 9,887 74.025 -0.025 74.100 73.850 2,017 73.576 -0.176 73.700 78.575 911 M LIVE HOGS CME (40,000ths; cents/fbs) 48.975 -0.525 49.225 48.900 14.989 2.418 54.700 -0.250 54.980 54.825 8.255 918 54.025 -0.225 54.200 53.900 3.155 221 52.500 -0.300 52.700 52.300 2.500 154 PORK BELLES CME (40,000lbs; cents/fbs 56.250 -0.600 56.750 55.500 882 57.550 -0.375 69.075 59.950 5,404 57.675 -0.600 58.250 57.250 2,315 54.750 -0.650 58.250 54.750 453 58.750 -0.075 59.900 59.750 15 1,585 252 27 LONDON TRADED OPTIONS 78 66 53 23 35 49 M COPPE Apr 36 64 101 COFFEE LCE COCCA LCE 900 925 950 LONDON SPOT MARKETS E CRUDE OIL FOB (per berrel/Apr) Cubel Brent Blend (detec Brent Blend (Apr) W.T.L (1pm est) \$12.70-2.85w \$13.42-3.45 \$13.61-3.54 \$14.65-4.67

+0.07 -0.12 -0.025 -0.02 rompt delivery CEF (tonne) \$154-156 \$148-147 \$81-53 \$135-137 Heavy Fuel Oil Naphtha Jet Fuel +1.5 **OTHER** Gold (per troy az)\$
Silver (per troy az)\$
Platinum (per troy az.)
Palladium (per troy az.) \$361.30 536.5c -0.50 +4 -1.9 -0.5 \$392.75 92.00c 35.00c 14.55r 253.50c Unq. Copper (US prod.) -0.03 -1.0 +0.84° -0.01° +4.78°

123.19; 119.37; 78.14p \$265.8 \$331.0 \$304.0 +5,3 +2,9 +3,0 Unq 2129.0 2143.5 Rubber (Apr)♥ Rubber (May)♥ Rubber(KL RSS No1 Apr) 65.00p 65.25p 241.00m +0.5 Coconut Oil (Philis)
Paint Oil (Meley.)
Copra (Philis)
Soyabeens (US)
Cotton Outlook A Index \$305.0 2196.0 +0.05

CROSSWORD No.8,393 Set by PHSSTHPOK 3 He may claim to be young or old (9) 5 Cherub has a pointed stick (5) ment (7) 7 Emergence

gives permit (7) movement (9)
Lizards attacked us again (7) 10 With tip of ragier, cut blade down the right side (9)
13 Free when limb is unshackled 11 Sharp chance (10) place and to another place (9) 17 Carry cot with romper is bro-

14 Speech made by chorister lacks point (8) 16 Study of church right to make musical composition (8)

18 Utensil employed before on back operations (5)

20 Shy person can look awfully modest a first (4)

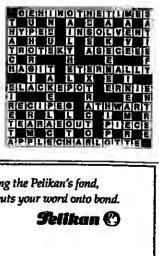
19 Bound to be thankful (7)

21 One does not drink what this (5)

22 Nobleman first to yell (5) 21 One does not drink when on this (5) 22 Nobleman first to yell "For-21 People who used to be ani-

mals! (10)
28 Town boor produced expression of disgust (7)
24 They petition to bankrupt leading stockbroker (7) Offer to finish text before first letter erased (6) 26 Savage delayed without direction is enraged (6)

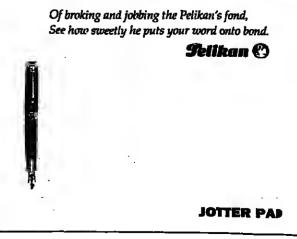
1 As joke is sarcastic, I'm occa-sionally holding back (5)
2 Metal part of pen contains nothing I follow with heater tion (7)



41

ken without any hesitation

ward" (5) Solution 8,392



صكذا من الاصل

Equities hit hard by renewed setback in bonds

By Terry Byland, UK Stock Market Editor

Another beavy seli-off in the bond markets yesterday wiped out the attempted recovery of confidence in UK equities. Late afternoon saw share prices tumbling on all sides as global bond markets reacted with heavy falls to a sharp rise in ths February price index compiled by the US National Purchasing Managers Association (NPMA).

The FT-SE 100 Index fell 57.5, or 1.7 per cent, to 3,270.6, the day's low. Selling increased as the market fell away but trading volume remained fairly moderate. With the pressure largely focused on the blue chip leadsrs, the FT-SE Mid 250 Index lost only 15.4 to 3,944.6. The NPMA report was the last straw for a stock market which has

been firmly under the heel of the bond markets. An initial firming in equities was abruptly reversed by a disappointment with the outcome of the variable repo tendsr in Germany. Then came the upward revigion of the fourth-quarter US GDF figure, which gave the first hint of renewed inflation concern.

But the Footsie was down only 19 points at that stage. It was the NPMA price index which turned tha cold wind blowing through the marday, share prices were at the mercy of bonds and, with stock index futures setting the pace, simply crumpled as both short and longdated gilts plunged. Weakness in sbort-dated gilts implied negative views on base rate prospects, underlining the reversal of sentiment

Accoun	rt Dealing I	lates
"First Dealings: Feb 14	Feb 28	Mor 14
Option Declarations: Feb 24	Mar 10	Mar 24
Lest Dealings: Feb 25	Mar 11	Mar 25
Account Days Mar 7	Mar 21	Apr 0
*New time dealing houtess days suffic		alace from two

which lies beneath the market set-

back. A sizeable trading programme weighted towards the sell side, had appeared in the market before the collapse began and probably had lit-tle effect. Share quotations were cut repeatedly by marketmakers strug-ging to avoid speculative sellers and fund managers trying to reduce

At Kleinwort Benson Securities,

the London merchant bank and securities bouse, Mr Albert Edwards pointed out that the NAPM index is linked to commodity prices, making it a significant indicator of inflationary pressures ahead in the US. London traders saw yesterday's fall in US bonds as a sign that prospects of further tightening in Federal Reserve poli-cies had come several steps closer.

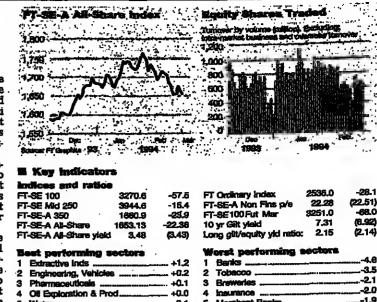
The day's trading volums of 720.8m shares through the Seaq net-work compared with 705.2m on Monday, when retail business was worth £1.38bn. While there has been no heavy selling of equities, it has been noted by the strategists that there has been no sign that cash taken out of gilts is seeking a home in the stock market.

Once again, the financial sectors

oned the possible damage to the securities trading divisions of the fresh round of losses in global bond markets. Hongkong and Shanghai Banking, down in the home market overnight, fell heavily in London as some analysts questioned the out-

look at the Hang Seng Bank mit There was little that equity strategists could say yesterday except to repeat the comments made last week. Many still see the setback as a buying opportunity, but warn that the market could be in for further shocks in the near term.

The focus remains entirely on the bond markets, which are expected to remain nervous ahead of the German M3 money supply figures, due later this week, and, of course, to recurrent bouts of nervousness that the US Federal Reserve may be suffered severely as investors reck- about to tighten credit policy again.



Setback in HK stocks

The London market's beavily traded Hong Kong orientated stocks were given the roughest of rides in a generally uncomfortable equity market yesterday as dealsrs responded to the 2.5 per cent slide in Hong Kong share prices.

Worst affected of the front line stocks was HSBC Holdings, which followed Monday's

The return of heavy selling

stock index futures, following

FT-SE 100 INDEX FUTURES (LIFFE) \$25 per full index point

FT-SE MID 250 INDEX PUTURES (UFFE) £18 per full Index point

III FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full Index point

FT-SE 100 INDEX OPTION (LIFFE) ("3278) £10 per full index point

3320.0 3251.0 -88.0 3322.0 2240.0 3327.5 3264.0 -88.5 3334.5 3284.0 3349.0 3285.8 -68.8 3349.0 3349.8

3980.0 3933.0 -31.0 3964.0 3932.0 628

3955.8 3930.0 -25.8 3960.5 3933.8 112 3945.5

the release of US economic

in global bond markets

brought another slida in

don with a substantial retreat. Marketmaksrs said there was little support for HSBC shares throughout the day with the stock price dropping to a low for the session of 868p at the close to leave a fall of 77p, or 8.1 per cent, after turn-over of 6.1m shares. The Hong Kong-registered stock sstiled 80 off at 892p. NatWest Securities was one

broking bousa to smphasiss worries about quality of earnings at the bank which it said could hold the shares back in

expected a declining bad debts

data, writes Joel Kibazo

Dealers reported a dull morning after tha March

contract on tha FT-SE 100

opened at 3,320. Light selling

3240.0 22102 58873 3264.0 1024 14743

EQUITY FUTURES AND OPTIONS TRADING

Open Sett price Change High Low Est, vol Open Int.

tion in its share price in Lon- charge because of recovering houses said to have tried to February were 36,551 and that nies in the UK and US, scope for growth in nst income, and a high level of asset disposal profits. For 1994, the broker lifted its forecast from £2.7bn to £2.8bn, and for 1995 to £3.07bn. It also forecast a 13 per cent increase in the 1994 dividend to 26.5p and is looking for a dividend total of

29p for 1995. The fallout from HSBC impacted on other Hong Kong and Pacific Rim stocks such as Standard Chartered and Cable and Wireless. The former plunged 56, or 4.6 per cent, to Upgrading its current-year 1159p after turnover of 928,000 numbers, NatWest said it shares, with one of the London markst's biggest sscurities

saw it drift gently lower

before steadying over the lunchtime period.

it was tha early afternoon

release of the US Purchasing

Managers' price index that

started tha sell off in bond

markets and prompted the

sharp retreat in the futures.

Tha fall in March pulled the

lower, though the contract

remained at a large discount

afternoon, Traders said there

were few opportunities for

March closed at 3.251.

discount to its estimated fair

minus 8, Volume was 22,102

value premium to cash of

down 69 on its previous

close and at a 13 point

underlying cash market

to cash for most of the

arbitrage trading.

unwind a big long position in the stock just before the close of trading. C&W, the telecoms group, held up well compared with HSBC and Standard, finishing only 13 down at 460p on turnover of 5.4m shares.

Vodafone firm

Vodafone, the UK's biggest cellular telephones group, was one of only a handful of FT-SE 100 constituents to gain ground ysstsrday, responding to renewed US buying and news of further big increases in the group's subscriber base. The group said net new connections to its network during



it now served more than 1.12m subscribsrs. Vodafona's arch-rival in the cellular tele phones business in the UK. Cellnet, owned 60-40 by BT and the Securicor group, also

revealed highly encouraging new subscriber figures. Cellmet attracted 39,000 new customers to its service during February. Vodafone shares moved up 71/4 more to 609p in heavy turnover of 2.9m. BT shares, on the other hand, suffered from the general weakness across the market, with the "old" stock 3% off at 431%p and the "new" 4 down at 312%p.

An early upsurge in Abbey National, after the bank revealed better than expected profits and a top of the range increase in the dividend, failed to hold and the bank's shares retreated to close sharply lower on the session.

But markstmakers wers en to point out that there had been very little salling pressure in the stock. "The numbers were excellent and the dividend was as good as wa could have expected, but you cannot ignore a falling market; will Abbey," was the comment

from one trader. The shares ended a volatilesession 16 cheaper at 489p, hav-ing been as high as 516p immediately after the figures were announced. Turnover reached 9.7m shares.

Dealers reported hefty selling of the merchant banks late in the session amid continuing worxies about their exposure to big losses in bond markets

NEW HIGHS AND LOWS FOR 1993/94

LOWS FOR 1993/94

NEW HIGHE 64,
BANKS (1) Mitaubish Tat. & Sing., EMEMBERSES
(1) Grossenor Inns., EURLDING & CHETTIN (8)

AMEC, Bett Boox, Try Horons, SLOG MATLS &
MCHTS (2) Stree (A), Wintner, DISTRIBUTIONS
(7) Adam & Herrey, Headern, Herlys, Lookers,
Norbells, Perdragon, Wholesel's Pigs.,
CHYPERETER STORMER, HICKNESS Pigs.,
CHYPERETER STORMER, HICKNESS Pigs.,
BUCTHEOTY (1) PowerGer, ELECTRING &
BLECT ROUP (8) TOK Corps., Thorpe 674),
Toshiba Corps., EMECNESSING (2) Baynes (C)
B.Sto PL, Matabes, Morris Ashity, Stobe,
Turnyles, Vosper Thornycroft, Wagon Indf.,
ECHTRACTIVE BODG (7) Caledories Mering Corp.,
Irasumin Res., Niciston Gold Minse, Meetatherra,
NSM, Mugici, Petaling, POOD MARUF (2)

Borthefels, Kalsici, HOUSEHOLD GOODS (1)
Deleney, INVESTIMENT TRUSTS (8) Dunech
Japan Inv., SPM Japan Was, Patrician Evo.
Semiler, Groytfare Inv., HTB Japanese Brailes,
ANYESTIMENT COMPACAGE (1) F Hedgeling
Japan Inv., SPM Japan Was, Patrician Evo.
KINSE FINANCIAL (2) Camelin, Delen Sec.,
CTHER ESENVA & BUSENS (2) Chroster Inf. LUC,
FYTNO, PAPER & PACKOS (8) Inversel, Lov &
Borne, PROPERTY (1) Angle St. James.
REZIALERS, FOOD (1) Park Pood, SUPPORT
SERVES (1) Adminst, CRT, Computer People,
Corporate Services, Margoner Inc., Stat-Pus,
Vistemen Partnership, AMERICAMS (3) Lower's,
Out Co. Inc.

Waternern Perincehip, AMERICAMS (2) Lowe's, Bus Co. Inc. REW LOWS (8). - CRLTS (2) Trees Stipe 2004, Do Stipe A, EMINIMETRING (2) Beauton/Beckenhern, FOOD MANUF (1) Everent Foods, RESURANCE (2) Abrust Loyds, USF & G, TEXTILES & APPAREL (1) Martin Intl.

incurred by soms of the big hedge funds. S.G. Warburg relinquished 7 to 888p, Hambros 19 to 385p and Schro ders 15 to 1153p. General Accident was one of

the FT-SE 100's star performers, the shares managing to close in positive territory and 4 higher at 651p, after 661p, fol-lowing the excellent prelimi-

Lloyds Abbey Life was lifted by a James Capel recommenda-tion. The stock went up 23 to

An upbeat trading statement from Grand Metropolitan provided a temporary relief to the downward pressure in tha

drinks sector, but the shares soon succumbed to the market trend and fell further during the afternoon. The stock finished 15 down at 468p after a hefty 8.2m traded. Among other big fallers,

Bass tumbled 19 to 518p, Welverhampton & Dudley 13 to 506p and Whithread 11 to 554p. Dealers said sentiment had been hit by reports that UK consumers will be allowed to telephone drinks orders to France for direct delivery. Betting and hotel group Lad-

broke gained 2½ to 211½p on 12m traded on expectations of good results tomorrow, Joint. broker Smith New Court was also said to be making positive noises. Although a cut in the dividend is forecast by some analysts, more visibility is also being anticipated in the first set of results since the group's

founder Mr Cyril Stein retired. Granada was hit by further selling in the wake of its takeover of LWT and the shares fell 15 to \$400 on turnover of 6.9m.

LWT slid 17 to 708p. Market fears on the outlook for interest rates led to weakness in international conglomsrate Hanson leaving tha shares trailing 4 to 274p.

Leading pharmaceutical stocks were generally firm on dollar considerations. Glaxo, with Panmure Gordon positive, gained 41/4 to 683p, Wellcome added 2 to 656p and Zeneca put on 7 to 776p. A profit rise of 60 per cent

from Inveresk saw shares in the speciality paper group pence jump to 7 to 230p. Dawson International slipped 5 to 153p after it announced it was pulling out of the loss-making US woolen business and would take a oneoff exceptional provision of

27

£50m for this year. Furniture group Silentnight tumbled 38 after announcing that profits to the year ended in January would be below market expectations. The shares later recovered to close at 355p, a fall of 18 on the day. The company blamed margin pressures for the warning.

Boots was said to have been undone by a big US seller and the shares fell 14 to 532p. Yield buying lifted Dalgety by 3 to 473p. Shares in British Steel fell 5 to 138%p, with 12m shares traded, after steel group ASW

reported full-year figures below market expectations and warned of continuing overcapacity in the industry. ASW was unchanged at 190p. International mining group

RTZ was among a handful of stocks that resisted the market slide and closed 14 up at 867p, on volume of 5m, making it the best performing stock in the FT-SE 100. The shares were boosted by a firm gold price and the prospect of increased demand for copper.

MARKET REPORTERS: Christopher Price, Joel Kibazo. Steve Thompson,

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Turnover in tha FT-SE Mid-250 futures contract on ■ EURO STYLE FT-SE 100 INDEX OPTION (UFFE) £18 per full Index point Liffe was 628 lots as It 307S 3125 3175 3228 3275 3325 3375 3425 182\(^1\) 8 139\(^1\) 18 99\(^1\) 24\(^1\) 86\(^1\) 41\(^1\) 41\(^1\) 63\(^1\) 22 95\(^1\) 10\(^1\) 36\(^1\) 21\(^1\) 190\(^1\) 58 129\(^1\) 52\(^1\) 89\(^1\) 71 72 94 50\(^1\) 122\(^1\) 33\(^1\) 21\(^1\) 190\(^1\) 58 129\(^1\) 291\(^1\) 78 149 40\(^1\) 203\(^1\) 203 65 141\(^1\) 101\(^1\) 2 92\(^1\) 151\(^1\) 57 214 246 89 185 125\(^1\) 21\(^1\) 312\(^1\) 134 171\(^1\) 93 228 finished at 3.264. The same contract on the OMLX traded 117 contracts, with open interest recorded at around 2,867. in traded options, volume ■ EURO STYLE FT-SE MID 250 MOEX OPTION (OML) £10 per full index point was 32,799. Turnover in the 3950 4000 4050 4100 4150 4200 4250 4300 44 64 24 2 94 13 132 2 6 176 3 2 22 2 270 1 1 2 79 92 57 118 2 40 2 153 28 190 18 2 42 2 2 2 2 2 4 4 2 Part 45 Settlement prices and volumes are taken at 4,30pm. FT-SE 100 was 13,936 lots and 3.637 in Abbey National. the most active stock option. 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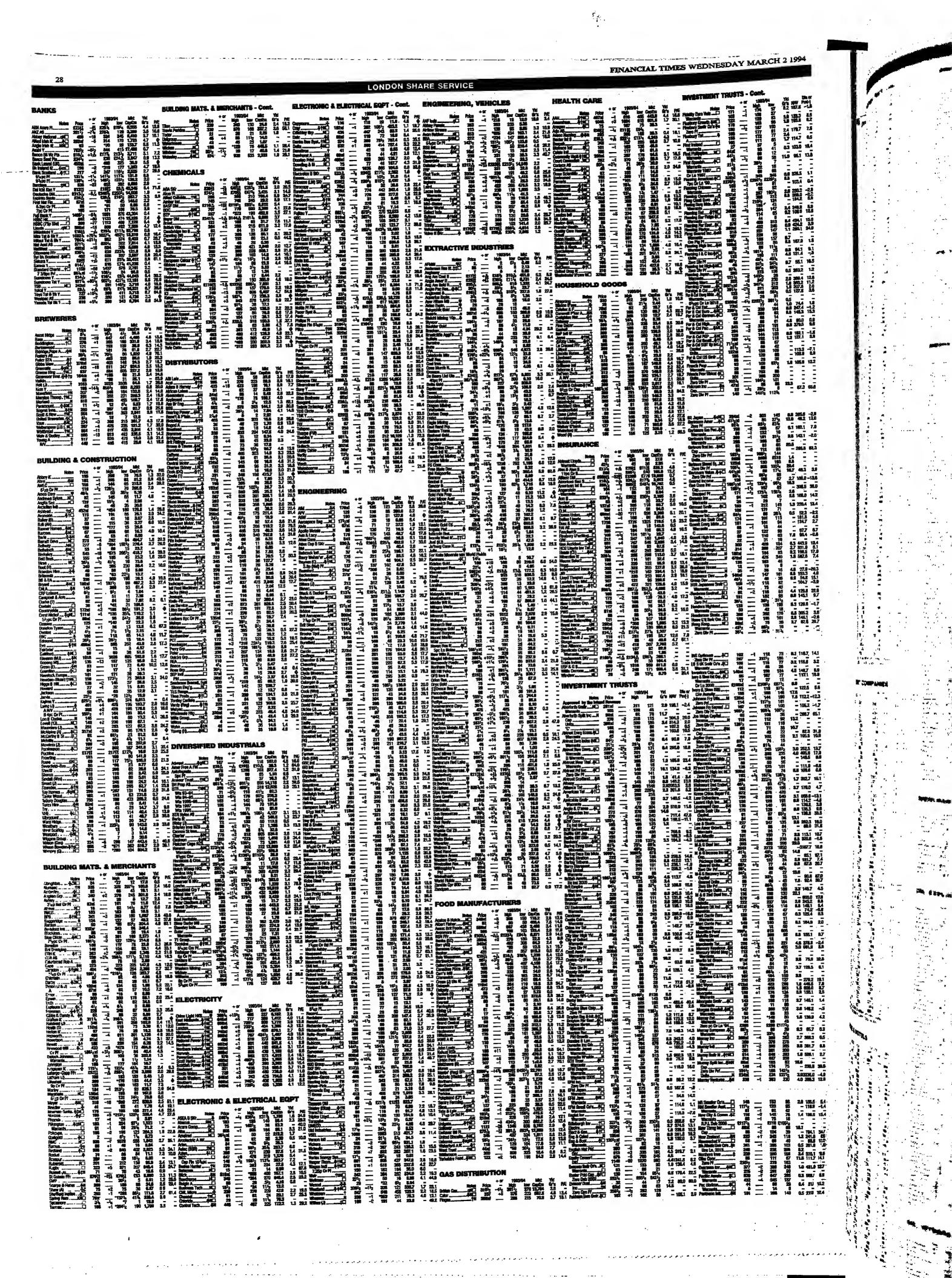
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FT MANAGED FUNDS SERVICE

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MARKETS REPORT

Dollar recovers ground

Foreign exchange markets were dominated yesterday by the gyrations of the dollar which recovered from early weakness on the back of some strong economic data, writes Philip Gawith.

After elipping to a low of DM1.6945 in early European trade, the doller later rose sharply to touch a high of DM1.7135 before closing in London at DM1.709.

The catalyst for renewed dollar strength - a reversal of recent negative sentiment . was the release of fourth quarter GDP figures, and the February purchasing managers index (NAPM).

The GDP figure was revised to an annualised 7.5 per cent from an earlier 5.9 per cent ponent of the NAPM surged to 67. its highest since October 1990. from 59.8 in January. These strong growth indica-

tors renewed speculation that the US Federal Reserve may again raise interest rates. Elsewhere attention was focused on developments in the UK and German money markets. In Germany the repo rate came down by three points to 5.97 per cent, while tight conditions in the UK discount mar-

ket saw overnight rates rise to

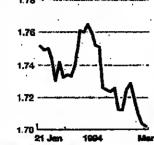
20 per cent at one point.

■ The dollar started European trading at a new low for the year against the D-Mark, after comments from Fed governor Mr Lawrence Lindsey suggested interest rates were unlikely to rise in the short

This compounded sentiment which was already bearish on account of the absence of clear investor demand for dollars and concern about the currency s failure to advance recently despite a run of favourable data and events. There was also concern that hedge funds. rumoured to be cash-short, were selling dollars.

Thece selling pressures gained further impetus when the Bundesbank announced that the repo rate was falling by only 3 basis points. The small increment of the fall was D-Ma





- Prev. close --1.4855 1.4634 1.4603 1.4727 reversed the trend. The detail was seen as offering a strong

indication that the next move

in Fed rates would be up. As Mr Nick Parsons, chief economist at CIBC, commented: "The two components that were strong in January [commodity prices and employmentj and preceded a Fed tightening, were strong in Feb-

Many observers played down the stronger dollar, saying it was more a correction within a range than a change in senti-

Mr Brian Hilliard, senior international economist at SGST, commented: "This is not the making of a lasting dollar rally." He said market reaction to the NAPM was overdone as the price index did not offer any new information. Clearly the market remains

extremely nervous about inflation pressures in the US. Yesterday it chose to focus on the narrowly based price index of the NAPM, while ignoring the fact that the GDP deflator, the broadest available inflation indicator, was unchanged.

The dollar was slightly firmer against the yen, closing at Y104.615 from Y104.150 on Monday, The Bank of Japan's Tankan report confirmed the weak state of the economy, but was no worse than expected.

0.20 0.04 0.01

0,48 0,30 0,16

0.07 0.14 0.25

Open Int.

-0.03 -0.07 -0.07

MONTH EURODOLLAR (LIFFE)* \$1m points of 100%

-0.05 -0.08 -0.10 -0.11

that the Bundesbank is likely to be cautious in relaxing pol-icy. The D-Mark closed in London at L989.8 against the Ital-ian lira, up from L988.2 on Monday and was also firmer against the French franc, clos-

ing at FFr3.403 from FFr3.399. This cautious approach was not well received in the futures market. The price of the December 3-month interest rate future on Liffe fell by 14 oasis points.

Traders said the D-Mark also gained support from weakness in the Italian hand market which spread to other Euro-pean markets. Sellers of bonds, wanting to put their money in cash, were reported to have bought D-Marks, as German interest rates are quite favour-

In Europe the Belgian national bank cut its key cen-tral rate to 6.25 per cent from 6.40 per cent. Belgium last cut rates on Friday.

■ Yesterday was an exceptional day in UK money mar-kets. After forecasting a shortage of £1.7bn, the Bank of England provided nn assistance in its early round, and only £22m at midday. This saw the overnight rate rise to 20 per cent at 2 o'clock.

Only £338m assistance was provided during the afternoon round, with the bulk of funds -£995m - being offered through late assistance.

The pattern of tha day's events suggested that most of the bills had been held by the large clearing banks, "The distribution of shortage around the market did not coincide with distribution of hills to relieve it," said one observer. By not offering bills in the

early rounds, those who held the bills were able to drive up tha cost of borrowing for those with a shortage of funds. Sterling finished slightly

higher against the D-Mark, at DM2,5395 from DM2.5366. It was barely changed against the dollar at \$1.486.

Ecu		1,3162	10 0044	152 - 172	1.3172	1.3101	1,3176	-12	1.52	-1.2	1.3251	+0.7	
SOR		0.941022							-				
Americae			_									_	
Argentina	Peso	1,4848	-0.0011	842 - 853	1.4013	1.4837	_	_	_				
Brazil	(Cr			505 - 182		948,000		_					
				091 - 112		2,9034	2.0079	1.3	2.0042	1.2	1.9966	0.7	а
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	Pesc			136 - 315	4.7403							:	
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Pacific Middle													
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india	(7-1	46.6158	+0.0048	964 - 352	45.8320	45,5964		-	-	-			
Japan	m	155.458	+0.68	354 - 562	156,120	155,170	155,083	2.9	154.343	29	150,973	2.9	18
Maiayaia	OUS			420 - 522	4.0825	4,0420		_		-			
New Zastand	(NZS)			763 - 812		2.5782	2.5817	-1.3	2,568	-1.1	2.5946	-0.6	
Philippines	Posol			998 - 247		40,9998						-	
Soud Arabia	(36)			708 - 751		5.5658		_		_			
	(55)				2.3596			_		_			
Singapora				501 - 531			-	-	-	-			
AMCA (Com.		5.1394	-0.02	354 - 433	5.1583	5.1335	-		-	-	-		
B. Africa (Fin.)	(FF)			707 - 903		6.9681	-	-	-	-	•		
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Denmark	(DKA	6.6982		972 - 992	6.6992	8,6600	8.7137	-28	8.7422	-2.5	6.8064	-1.7	103
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France	OF6	5.8152		137 - 187		5.7730	5.8311	-33	5.8825	-26	5,6029		104
		1,7090			1,7082	1,6956	1.7135	-3.1	1,719		1.7290		104
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relend	(42)	1.4261		248 - 276		1.4248	1.4231	2.8	1.4173	2.5	1.4006		
taly	(4)	1691.50	+4.55	100 - 200	1692.00		1697.8	-4.3	1710	-4.4	1754		78
pruodmestu	Q.Fri	35.1805	+0.0405	670 - 940	35.1940	34,9250	35,2655	-2.9	35,4205	-2.7	35.8605	-1.e	104
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Vorwey	ON	7.AZ15		205 - 225		7.3740	7.43	-1.4	7.4477	-14	7.4765		94
Portugal	Œ	174,500		400 - 600	174.800		175.365	-5.0	177.125	-8.0	189.7		93.
	Pad	139,750		700 - 800	139,800		140.345	-51	141.49	-6.0	148.25		80.
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Switzerland	(SFr)	1.4370		365 - 375		1,4257	1.4379	-0.8	1.4388	-05	1,4335		105
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	Penoj	3.1750	-0.017	730 - 830	3.1830	3.1650	3,1796	-0.6	3,1824	-0.0	3.193	-0.5	
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tong Kong	(HCS)	7,7280		275 - 285		7,7263	7.7287	-0.1	7.7327	-0.2	7.7615		-
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	(Pas)	31.8700		875 - 725	31.3725		31.435	_	31,57		-		
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lew Zealand	(NZS)	1,7354	+0.0021	343 - 384	1.7370	1.7340	1.737	-1-1	1.7416	-1.4	1,7557	-1.2	
hillopines	Pesol	27.7000		000 - 000	27.8500	27.5600		-					
aud Arabia	(SF)	3,7503		500 - 505	3,7506		3.7627	-0.8	3.7571	-0.7	3.7758	-0.7	
Singepore	(55)	1.5825		820 - 830	1,5830	1,6800	1.5825	0.0	1.5825	0.0	1.808		
		3,4585					3.4728	-60	3,5016	-60			
Africa (Com.)	(70)			570 - 600	3.4745						3.509	-4.1	
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One month Rate %PA

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Three months One year Bank of Rate %PA Fing, Index

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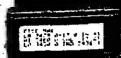
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THE AEROSPACE TRADE SHOW.

Internationale Luft- und Raumfahrtausstellung 28. Mai bis 5. Juni 1994

ia Berlin-Brandenburg Please contact for further information Messe Berlin GmbH Fax 49-30, '30 38 50 97

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prompt sharp fall in Dow

Wall Street

US share prices fell across the board in heavy trading yesterday morning in the wake of a sharp decline in bond prices that was inspired by fears of rising inflation, writes Patrick Harverson in New York.

By 1 pm, the Dow Jones Industrial Average was down 36.02 at 3,796.00, slightly off its lows for the day. Tha more broadly based Stan-dard & Poor's 500 indax was also lower at the halfway mark, down 3.69 at 463.45, while the American Stock Exchange composite was off 2.51 at 468.83 and the Nasdaq composite down 7.18 at 785.32. Trading volume was 172m shares by 1 pm, and declines outpaced rises by 1432 to 545.

The day's first big economic news - an upward revisioo of the fourth quarter gross domestic product from 5.9 per cent growth to 7.5 per cent growth - had little impact on prices. Although this was ostensibly good oews for stocks, analyats warn that these rates of growth will not be sustained in coming quarters. Also, investors are nervous at any sign of excessive economic expansioo because it might prompt the Federal Reserve into raising Interest rates again.

Sooo after 10am, however, prices turned decisively lower. The beavy selliog was prompted by a sudden and sharp decline in bond prices. The sell-off in the bond market, which pushed the yield on the benchmark 30-year bood up to 6.73 per cent, followed the publication of the National Association of Purchasing Managemeot's February report, and in particular, the announcement that the NAPM's index of prices rose sharply last month to its highest level since Octo-

Like their counterparts in the equities market, bond investors are worried that the Fed will tighten mooetary polprices data from tha NAPM, said analysts, brought the likelihood of another rate rise nearer. This thinking, plus the fact that the stock market rarely likes to see bond yields rising, was behind the declines in share prices. Additionally, traders said several compute ised sell programs executed during the morning exaggeratad the market's downward

Among individual stocks. interest rate-sensitive stocks were lower as a group. Among banks, Citicorp fell \$% to \$40%. Chase Manhattan gave up \$% at \$32, BankAmerica slipped \$% to \$42% and Wells Fargo fell \$1% to \$136%. Brokerage stocks were also weaker, with Morgan Stanley off \$% at \$65%, Merrill Salomon fell \$% to \$49%. Federal National Mortgage Association, which bas benefited greatly from falling interest rates, was another notable vic-tim, falling \$1 to \$83%.

Digital Equipment bucked the wider trend, rising \$1% to \$30% in volume of 2m shares after broking house Salomon Brothers was reported to have upgraded its rating on the stock from "hold" to "buy". On the Nasdaq market,

Snapple fell \$1% to \$27% after Coca-Cola launched a new range of soft drinks under the label "Fruitopia" that is clearly aimed at competing with Snapple's own bugely success-

Canada

Toronto stocks extended ear-Her losses at midday as worries over higher interest rates fears continued to weigh on financial markets.

Canadian bonds remained weak along with US treasuries at nooo following economic data which spurred inflation fears. The TSE 300 composite index fell 30.95 to 4,392.89 on volume of 35,40m shares for a total value of C\$432.09m.

Brazilian equities remained 5 per cent ahead in midday trading oo continued optimism

was up 5.3 per ceot at Cr31.70.

per cent higher at Cr119.

Brazil's central bank will

dollars in the commercial and the interbank domestic forex markets at the URV price of The rate at which the ceotral bank will buy dollars in the market will be set freely between market players and the monetary authority. The deals will be settled two days

FT-ACTUARIES WORLD INDICES

US Doltar Index

Day's Pound Change Sterling % Index

268.70 146.96 178.63 132.17 418.11

201.24 71.03 205.93 343.71 239.66 147.73 219.17 163.58

The URV's value will be set daily, based on the average of three inflation indices which measure the depreciation of the cruzeiro real and expressed

Mexico

Mexican stocks were down sharply at mid-morning, hit by fears of a rise in domestic interest rates and a steep fall

oo Wall Street. The IPC index was off 41.13. or 1.59 per cent, at 2,544.31. A total of 23.8m sbares were

York fell \$1% to \$65%, while in the local market the L shares

30 to 4.

as iovestors worried that domestic ioterest rates may bead back up at today's weekly auctioo. The IPC index retreated 10.95 to 2,585.44 in day's biggest decline was Invex, which dropped 4.65 per

115,44 123,73 110,85 89,35 177,32

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Inflation fears Continental bourses affected by news from US

Late closing markets were affected by negative US data which suggested that inflation the was rising, writes Our Markets

Stoff.
FRANKFURT fell back after Monday's positive start to the week as equities were again battered by nervousness in the bund market.

The Dax index closed the official session down 24.52 or 1.2 per cent at 2,067.05, and extended that loss in the post-bourse session, falling a further 46.00 to 2,057.20, as disappointing US data began to make itself felt.

The Bundesbank's easing of the repo rate to under 6 per cent did little to excite enthusiasm, coming within most

Of greater concern to the equity market is unrest among public sector workers, with IG Metall engineering union members due to ballot on strike

Among the day'a heavy losers Daimler-Benz shed DM18 or 2 per cent to DM795 and then to DM792.50 m the after mar-

PARIS retreated sharply at the close as worries about the implications arising from the release of US data took hold. The CAC-40 index, which had falleo to a session low of 2.176.46, closed off 54.94 or 2.4 per cent at 2,183.12. Turnover was FFr5bn.

Among the worst fallers Euro Disney shed FFrL30 or 3.7 per cent to FFr33.50, Thomson-CSf FFr11.50 or 5.8 per ceot to FFr186.00 and L'Oreal FFr43 or 3.3 per cent to FFr1,242. ZURICH, mixed early in the day, turned lower after the release of the US GDP data. eaving the SMI index down

40.8 at 2,847.4, taking the cumu-

lative two day decline to 2.8

UBS bearers, downgraded by a number of analysts after last Friday's results, fell SFr44 to SFr1,320, taking the cumulative three day decline to 9 per

CS Holding were steadier after Monday's 5.3 per cent fall, losing SFr3 to SFr635. SBC added SFr4 to SFr454: some FT-SE Actuaries Share indices THE EUROPEAN SERIES 19.30 11.00 12.00 13.00 14.00 15.00 Close FT-SE Eurobrack 100 1447.24 1448.85 1447.91 1441.94 1494.70 1432.83 1495.39 1431.18 FT-SE Eurobrack 200 1508.24 1505.24 1506.54 1501.75 1496.54 1495.19 1496.51 1480.07 Feb 28 Feb 25 1448,01 1499,35 1456.74 1508.51 1489.10 1537.95

switching into the stock.

Blue chips were marked

down on profit-taking by foreigners, also taking the opportunity to bank currency gains. Nestle shed SFr23 to SFr1,260 and Rocbe certificates fell SFr100 to SFr6.900

MILAN was dragged lower by weakness in bonds and the lira and the Comit index shed 8.96 to 649.24, with the market also inhibited by the political ootlook in the run up to the

elections on March 27-28. Trading was halted for almost three hours due to technical problems, but volume was so low that the bourse

BCI shed L34 to L6.026 amid expectations that the privatisation would be completed.

was L123 lower at L4438.

AMSTERDAM was huffeted

by worries elsewhere on the continent and overseas and the AEX index lost 4.81 or 1 per cent to 415.94

the heavily capitalised issues, with Unllever, for instance, losing Fl 2.00 to Fl 213.90.

Pakhoed, the transport

Foreign favourites were left lower on profit-taking. Fiat shed L59 to L4,892 and Pirelli shed L88 to 2,061. Among the telecommunications issues, Sip shed L101 to L4,047 and Stet

There were steep falls among

group, which announced that

shares, fell 70 cents to F1 54.50. MADRID fell 2 per cent in line with weaker bond markets which were pushed lower by disappointment with the Bundesbank's smaller than expected repo rate cut, the US data and sales by foreign investors. The general index shed 6.78

it was to issue 2.6m new

or 2 per cent to 332.68 in ner-vous trading. Téléfonica tumbled Pta85 or

4.3 per cent to Ptal 890 in vol-ume of 8m shares after news that it was paying \$2bn for Ental-Peru and CPT Peru. BRUSSELS saw losses in the bank and insurance sector despite an interest rate cut by

The Bel-20 index closed up 1.10 at 1,516.90 in turnover of Nonetheless, Arbed, the Luxembourg steel manufacturer. went against the trend, rising

the central bank.

BFr4,400,

Among insurers Groupe AG iost BFr45 to BFr2,880. COPENHAGEN'S KFX index

BFr300 or 7.3 per cent to

retreated 1.27 to 112.04 with

banks affected by a steep fall in Den Danske Bank, off DKr4 at DKr395

e gastination

In contrast Unidanmark, the country's second largest bank, bucked the trend, climbing DKr3 to DKr258, helped by news that its new share issue of 6m A shares had been oversubscribed.

STOCKHOLM's Affars-variden index lost 16.4 to

ISTANBUL lost a further 2.67 per cent despite a wave of selective buying in the session. The composite index ended down 400.34 at 14,603.25, bringing the losses over the week so

The Turkish lira lost more than 6 per cent against the dollar, standing at TL21,500 in the afternoon.

The most active shares were iron and steel group Eregli down TL50 to TL3,550 and glassware producer Turkish Size Cam Fabrikalari, down TL175 to TL1,775.

Written and edited by John Pitt and Michael Morgan

Economic hopes help Nikkei close above 20,000 level

Tokyo

The stable yen and hopes of a bottoming out of the economy supported tovestor confidence, and the Nikkel 225 average closed above the 20,000 level for the first time since February 8, writes Emiko Terazono in

The index gained 219.42, or 1.1 per cent, at 20,216.62 on active huying by foreign investors. It opened at the day's low of 20,052.61 and peaked at 20,240.92 during the morning. Investors were encouraged by better than expected industrial output figures and labour

statistics announced on Monday. However, the tankan, the Bank of Japan's quarterly survey of business sentiment, announced yesterday had little impact on stock prices since it showed that sentiment among manufacturers was little changed from the previous

tutional investors in the afternoon prevented the Nikkei 225 from rising further, in spite of active overseas buying. The recent decline in the bond market also prompted a shift into the stock market by foreign fund managers.

Volume was 500m ahares, against 467m. The Topix index of all first section stocks advanced 13.77 to 1,645.48, while the Nikkei 300 added 2.02 at 304.25. Rises led falls by 780 to 269, with 140 issues unchanged, But In London the ISE/Nikkei 50 index eased 1.93 to 1.365.73.

Nippon Telegraph and Telephone rose Y3,000 to Y979,000 in spite of reports that it will not request a previously expected rise in local call rates for the next fiscal year, but instead plans to raise its core service rate, which would hava a smaller effect ou profits. A strong risa in housing

Large-lot profit-taking released on Monday supported

climbed Y40 to Y1,150 and Daiwa House Y40 to Y1,700. Foreign investors bought steel issues. Nippon Steel, tha most active issue of the day,

gained Y2 at Y354.
Stocks previously higher on
the multimedia theme, encountered profit-taking. NEC receded Y10 to Y1,040. Some banking issues were easier on corporate selling.

in Osaka, the OSE average rose 185,08 to 22,323.96 in volume of 160m shares, the eighth

Roundup

The region was mixed yesterday. Seoul was closed for a national holiday. HONG KONG fell 2.5 per

cent, undermined by a slide in banking stocks and worries that prices fetched at a government land auction were too high. The Hang Seng Index shed 261,87 to 10,148,36. Heavy profit-taking from the opening in Hang Seng Bank and its parent HSBC Holdings pulled the index down, following the two groups' results on Monday. HSBC dropped

HK\$7 to HK\$107 and Hang Seng Bank HK\$8 to HK\$61.50. The market fall gathered momentum in late trade on news thet a residential development site in the tourist district of Kowloon had sold for HK\$2.26hn, far exceeding fore-

casts of HK\$1.5bn to HK\$1.7bn. This prompted concern that Hong Kong's high property prices, which are propping up the stock market, might lead developers to raise funds through the equity market with rights offers, which could

Blna chip properties fell. SHK Properties slid HK\$1.50 to HK\$57.50 and Cheung Kong 75 cents to HK\$43.75.

aventually depress share

SINGAPORE was dragged down by the worries in Hong Kong and concern over the outlook for higher US interest rates. The Straits Times Industrial index shed 29.04, or 1.2 per cent, to 2,313.68. MANILA dropped 3.7

cent to its lowest point this year, closing below the 2,850 support level as investors sold heavily in anticipation of a further decline. The composite index lost 105.96 at 2,755.65. The decline was also attributed to a shift to fixed-income instruments by most foreign

investors, following an increase in US interest rates.

KUALA LUMPUR saw some bargain hunting which lifted shares off the day'a lows after news that the central bank would not introduce fresh measures to choke off local cur-

Recent speculation about new liquidity-mopping measures, including a rise in the statutory reserve requirement of financial institutions, had been affecting market sentiment. The composite index ended 12.22 down at 1,113.41.

TAIWAN gained on a techni-

Equalization Account.

TENDER NOTICE

UK GOVERNMENT

ECU TREASURY BILLS

For tender on 8 March 1994

Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 8 March 1994. An additional ECU 50 million nominal of Bills will be allotted directly to

the Bank of England for the account of the Exchange

2. The ECU 1,000 million of Bills to be issued by tender will be dated 10 March 1994 and will be in the following

ECU 200 million for maturity on 14 April 1994 ECU 500 million for maturity on 16 June 1994 ECU 300 million for maturity on 15 September 1994

The Bank of England announces the issue by Her

rency speculation.

cal rebound after four days of declines, bot sentiment remained cautious. The weighted index improved 37.80 to 5.452.44

AUSTRALIA clawed back futures-led losses but brokers said sentiment remained neryous. The All Ordinaries index finished 1.6 up at 2,181.7.

On the Sydney futures mar-ket the March Index finished down 12 at 2,174.0. NEW ZEALAND put in

another impressive performance as the NZSE-40 capital index rose 25.80 to 2.270.20. KARACHI broke the 2,500 barrier for the first time, the KSE-100 index moving ahead 43.52 to 2,505.24.

After the close the central bank cut the discount rate to 15 per cent from 17 per cent and the maximum lending rate to 19 per cent from 22 per cent. BOMBAY eased in low volume as investors digested the implications of Monday's budget. The BSE index lost 136.05. or 3.1 per cent, at 4,150.15.

Brazil sees a 5% rise at Johannesburg boosted as midsession, Mexico down Mandela meets Buthelezi

Brazil

over the creation of a oew single price index.

The Bovespa index was up 527 at 11,066 in São Paulo. Traders said that blue chips gained liquidity in late morning trading after a few foreign investors returned to the

market. Midday volume was Cr171bn. Telebras, the telecom group, Oil group Petrobras was 11.2

use the oewly created single price index, Real Value Unit, as a parameter for its interventions in the foreign exchange market. Reuter reports from The bank sald it will sell US

the day the deal takes place.

Belgium (42) Canada (107)

Norway (23)

FL/ROPE (745) .

World Ex. UK (1955)

World Ex. US (1652)169.85

Unsted Kingdom (215)

......163.97

170.72

...150.19 ...265.99

after the transaction takes

The ADRs of Telmex in New

slid 2.78 per cent. In the broader market 49 issues changed bands, with declines topping advances by

 On Monday, stocks fell back volume of 55.2m shares. The

Johannesburg was given a boost during afternoon trading by the apparently congenial talks in Durban between Mr Nelson Mandela, the African National Congress president, and Chief Mangosuthn Buthelezi, the Inkatha Freedom

Party leader. Chief Bnthelezi said the talks had been "going well", in spite of an earlier vow that his party'a boycott of the April election was not on the agenda for the meeting.

with a further boost as the gold price traded above \$380 an ounce. The golds index rallied from an initial fall to end 9 off at 1,986, industrials added 5 at 5,614 and the overall index put on 34 at 4,880. Golds had been depressed by the stronger commercial rand

which was seen as dampening export earnings of the mines. Anglos proved the most buoyant issue in the wake of the rising political bopes, appreciating R7 to R204.

Among the gold shares, Vaal
Reefs lost R1.50 to R430.50 and

Driefontein was off 25 ceots at R55.25. De Beers, the diamond giant, advanced R2 to R105.00 ahead of the release of the group'a

US Dollar Index

186.70 186.64 133.94

167.71 124.91 165.77 110.31 133.24 88.96

185.26

Gross Div. Yield

3.26 0.95 3.95 0.66 2.55 3.10 2.55 3.10 0.78 1.30 0.62 3.54 1.50 1.51 2.34 3.78 1.38 1.53 3.25 7.7

0.9 0.1 1.5 1.2 0.8 1.8 1.2 0.8 0.6

2.78 1.18 1.05 1.78 2.76 2.29 2.48 1.79 1.99 2.14 2.71

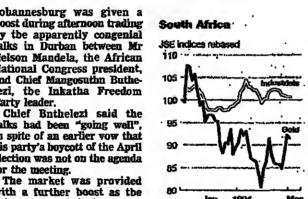
Local Currency

155.60

275,91 371,90 415,73 125,61 169,31 188,11 46,68 65,62 93,16 103,57 362,30 474,86 562,02 1522,50 2052,14 8078,55 132,60 179,00 176,52 46,67 63,18 65,69 183,17 207,48 226,62 305,73 251,01

188.78 167.28 149.15 145.65 120.43 132.89

239.00 244.83 130.72 171.02 158.88 162.99 117.56 117.56 371.90 415.73



interim resolts, which are SA Breweries

expected next week. unchanged at R82.50, while Remgro pot on 25 cents at R31.25 and Sasol, the oil-fromcoal producer, was up 50 cents at R22.50 to response to its 17 per cent increase in oet ne for the six months ending December.

In industrial shares, Barlow Rand was down 25 cents to R27.75. Iscor posted a strong 10 per cent bounce to R2.70 in a resumption of its recent upward trend and Gencor rose 35 cents to R8.90

130.19 131.13 138.63 146.54 140.98 140.99 118.10 119,92 195.66 201.17 70.02 71.31 143.60 157.45 107.59 157.45 233.84 256.34 135.70 135.70 155.21 60.43 107.59 109.27

Local

169.51 168.62 112.21 150.30 182.22 178.58 137.58 1212.72 211.81 140.62 188.51 218.91 220.60 145.85 184.30 165.45 108.77 145.69 113.29 168.80 113.25 166.32 165.45 110.10 147.47 132.44 170.75 124.03 166.22 165.25 123.27 165.11 185.63 192.73 173.70 148.48 148.70 98.95 132.54 140.14 155.73 120.02 262.14 250.78 173.53 232.44 239.90 296.21 164.34 167.52 165.65 110.90 148.54 135.55 172.51 125.12 171.31 170.42 113.40 151.89 147.96 175.58 140.70 173.53 172.63 114.67 153.66 151.73 178.56 142.98 186.23 185.26 123.26 185.12 182.03 185.26 182.29

108.77 145.69 113.29 168.60 110.10 147.47 132.44 170.75 123.27 165.11 185.63 192.73 98.95 132.54 140.14 155.73 173.53 232.44 239.90 298.21 110.90 148.54 135.55 172.51 113.40 151.83 147.95 175.58 114.67 153.68 151.73 178.56 123.28 165.12 182.03 195.20

167.41 195.41 144.33 169.08 130.98 145.31

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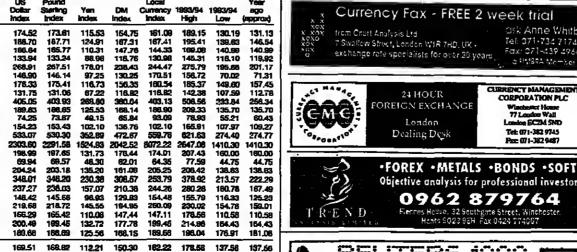
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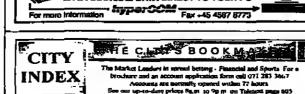


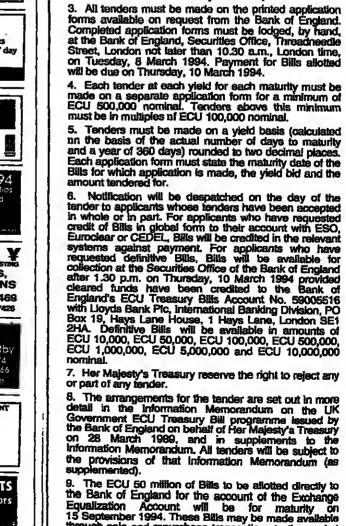
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Her Majesty's Treasury reserve the right to reject any or part of any tender. 8. The arrangements for the tender are set out in more

detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as 9. The ECU 50 million of Bills to be allotted directly to

9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalization. Account will be for maturity on 15 September 1994. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement. 10. Copies of the Information Memorandum (and

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10. Copies of the information Medical Carlo Supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as Bank of England 1 March 1994

The World Index (2170) . 1.0 175.12 115.57 165.77 153.78 0.8 2.14 173,87 172,97 115.10 154,17 152,48 178,97 143,02

0.7 0.1 1.9 1.4